



STICKS FRANCHISING, LLC

FRANCHISE DISCLOSURE DOCUMENT

Issuance Date: April 29, 2022



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Sticks Franchising, LLC
A Virginia limited liability company
513 H Stewart St.
Charlottesville, VA 22902
(434) 373-0017
mail@stickskebobshop.com
www.SticksKebobShop.com

The franchise offered is for the establishment and operations of a fast-casual Sticks Kebab Shop® restaurant featuring freshly prepared Mediterranean-inspired wraps, salads, and entrée platters all prepared with proprietary and chef created marinades and sauces, and other food products, side dishes, non-alcoholic beverages for on-premises and off-premises consumption and craft beer and wine (in states where permitted) for on premise consumption under the Sticks Kebab Shop® name and mark (each a “Restaurant”).

The total investment necessary to begin operation of a Restaurant is \$247,600 to \$573,300. This includes \$69,500 that must be paid to us or our affiliates.

We also offer qualified parties the right to open and operate multiple Restaurants in accordance with a development schedule under Franchisor’s form of development agreement. The total investment necessary to begin operations under a development agreement depends on the number of Restaurants we grant you the right to open. The total investment necessary to begin operations under a development agreement for the right to open between three (3) and ten (10) Restaurants ranges from \$323,100 to \$823,800. This includes \$145,000 to \$320,000 that must be paid to us or our affiliates upon execution of your development agreement and prior to opening your first franchise in your development schedule.

This Franchise Disclosure Document (“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 for you. To discuss the availability of disclosures in different formats, contact Roy Jones: 513 H Stewart St., Charlottesville, VA 22902 434-373-0017 mail@stickskebobshop.com .

The terms of your contract will govern your franchise relationship. Don’t rely on this 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.

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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 G.
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 Sticks Kebob Shop 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 Sticks Kebob Shop franchisee?	Item 20 or Exhibit G 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 D.

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 the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement and development agreement require you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Virginia. 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 Virginia than in your own state.
2. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
4. **Unregistered Trademark.** The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.
5. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.
6. **Payments.** You must make minimum royalty, advertising, and other payments, regardless of your sales levels. Your inability to make payments may result in termination of your franchise and loss of your investment.

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.

TABLE OF CONTENTS

ITEM	PAGE
ITEM 1 - THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES	1
ITEM 2 - BUSINESS EXPERIENCE	4
ITEM 3 - LITIGATION	5
ITEM 4 – BANKRUPTCY	5
ITEM 5 – INITIAL FEES	5
ITEM 6 - OTHER FEES	6
ITEM 7 –ESTIMATED INITIAL INVESTMENT	11
ITEM 8 - RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	15
ITEM 9 - FRANCHISEE’S OBLIGATIONS	20
ITEM 10 – FINANCING	21
ITEM 11 – FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING	21
ITEM 12 – TERRITORY	31
ITEM 13 – TRADEMARKS	33
ITEM 14 - PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	36
ITEM 15 - OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	37
ITEM 16 - RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	38
ITEM 17 - RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	39
ITEM 18 - PUBLIC FIGURES	50
ITEM 19 - FINANCIAL PERFORMANCE REPRESENTATIONS	51
ITEM 20 - OUTLETS AND FRANCHISEE INFORMATION	55
ITEM 21 - FINANCIAL STATEMENTS	56
ITEM 22 – CONTRACTS	57
ITEM 23 – RECEIPTS	57
 EXHIBIT A Franchise Agreement	
EXHIBIT B Development Agreement	
EXHIBIT C State Specific Addenda	
EXHIBIT D State Franchise Administrators and Agents for Service of Process	
EXHIBIT E Financial Statements	
EXHIBIT F Operating Manual Table of Contents	
EXHIBIT G List of Current and Former Franchisees	
EXHIBIT H Form of Confidentiality and Noncompete Agreement	
EXHIBIT I Form of General Release	
EXHIBIT J State Effective Dates	
EXHIBIT K Receipt	

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

The Franchisor

To simplify the language in this Disclosure Document, “we”, “our” or “us” means and includes Sticks Franchising, LLC. We are a Virginia limited liability company that was formed on August 26, 2021, with a principal business address at 513 H Stewart St., Charlottesville, VA 22902 with a telephone number of (434) 373-0017. We have been offering franchises since December 2021 and conduct no other business. We do business under the name STICKS KEBOB SHOP®. We have not conducted business in or offered franchises in any other line of business. “Franchisee”, “You” or “Your” means the individual or entity who buys the franchise, including all equity owners of a corporation, limited liability company, general partnership, or limited partnership, or any other type of entity (an “Entity”). If you are an Entity, each individual with direct or indirect ownership interest shall be referred to as an “Owner”.

Agents for Service of Process

Our agents for service of process in the states whose franchise laws require us to name a state agency as our agent for service of process are shown on Exhibit B.

Parents, Predecessors and Affiliates

We do not have any parent or predecessor companies.

Our affiliate, Sticks Management, LLC, a Virginia limited liability company, with a principal business address at 513 H Stewart St., Charlottesville, VA 22902, owns the Marks and intellectual property used in the Sticks Kebob Shop® system, which it licenses to us under a license agreement.

Other than those listed above, we do not have any other parents, predecessors, or affiliates to disclose in Item 1.

Prior Business Experience

Since April of 2001, our owners and principal officers have owned and operated Sticks Kebob Shops restaurants in and around Charlottesville, Virginia which are similar to the Restaurants offered under this Disclosure Document. Currently, our owners and principal officers operate three Sticks Kebob Shops restaurants. In this Disclosure Documents, we refer to these restaurants as the “Company-Owned Outlets”. The Company-Owned Outlets do not offer franchises in this or any other line of business and do not provide products or services to our franchisees. However, one or more of the Company-Owned Outlets may serve as the training facility for the training we provide to our franchisees.

The Franchise Offered

Single Unit Offering

We grant franchises for the right to operate a Restaurant, which is an upscale and sophisticated fast casual restaurant offering freshly prepared Mediterranean-inspired wraps, salads, and entrée platters all prepared with proprietary and chef created marinades and sauces, and other food products, side dishes, non-alcoholic beverages for on-premises and off-premises consumption and craft beer and wine (in states where permitted) for on premise consumption under the Sticks Kebob Shop® name and marks and any additional or alternative names or marks to be developed or acquired in the future.

Each Restaurant operates pursuant to our proprietary operating system, the characteristics of which include: (a) proprietary recipes and methods for preparing the food and beverage items, including the made-to-order menu items and related foods; (b) interior and exterior Restaurant designs, décor, and color schemes; (c) standards and specifications for the furniture, fixtures, and equipment necessary to operate a Restaurant; (d) sales techniques, and merchandising, marketing, advertising, and inventory management systems; and (e) standardized procedures for operating and managing a Restaurant (collectively, the “System”).

We identify the System by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited to, the mark STICKS KEBOB SHOP®, distinctive trade dress, and any other trade names, trademarks, and service marks we may now or in the future designate in writing for use in connection with the System (the “Proprietary Marks”). We continue to develop, use, and control the Proprietary Marks in order to identify for the public the source of products and services marketed under the System, and to represent the System’s high standards of quality, appearance, and service.

You will operate your Restaurant pursuant to our current form of franchise agreement, which is attached to this Disclosure Document as Exhibit A (“Franchise Agreement”). Under the Franchise Agreement, you are granted the right and obligation to open and operate a Restaurant at a certain location (“Approved Location”) within a certain designated territory (“Territory”).

You must designate an Owner with at least a 40% ownership interest in your Entity as the “Controlling Person”. The Controlling Person must have authority over all business decisions related to your Restaurant and must have the power to bind you in all dealings with us. In addition, you must appoint a trained manager (the “Key Manager”) to manage the day-to-day business of your Restaurant, who may also be the Controlling Person.

Multi-Unit Offering

We also offer qualified individuals the right to open and operate multiple Restaurants within a defined geographical area (the “Development Area”) by: (i) executing our current form of development agreement (the “Development Agreement”) attached as Exhibit B to this Disclosure Document; and (ii) paying our then-current development fee upon execution of your Development Agreement, which will depend on the number of Restaurants you agree to open (the “Development Fee”).

You will be required to enter into our then-current form of franchise agreement, which may contain terms that are materially different from the Franchise Agreement in Exhibit A, for each of the Restaurants you are required to open under the Development Agreement. You must execute the Franchise Agreement attached as Exhibit A for your initial Restaurant contemporaneously with the execution of your Development Agreement. You must then ensure that you open and commence operations of each additional Restaurant in the Development Area in accordance with a development schedule set forth in your Development Agreement (the “Development Schedule”).

Area Representative Offering

Currently we do not offer, but may in future offer, area representative rights to certain individuals and companies through a separate Franchise Disclosure Document as a separate line of business. An Area Representative acts as our representative within a defined geographic area to solicit prospective franchises and to provide support before, during and after a franchisee begins operations. If your Restaurant is in an area with an Area Representative, they will assist us in providing certain support functions to you. Area Representatives are not management service organizations and will not provide any administrative staff and services to you.

The Market and Competition

Fast casual dining restaurants are mature and highly competitive. You will compete with local, regional and national restaurants offering food in the fast casual format. Your Restaurant will offer its products to the general public, and sales are not seasonal, other than any seasonality resulting from the site's physical and geographical location. Your competitive advantage in the marketplace will be based on your adherence to our standards and guidelines, as well as your entrepreneurial and managerial abilities and focus on customer service.

We have entered into a fulfillment agreement with a third-party service provider for the preparation of "Sticks Kebob Shop" branded menu items and products that are available for order on third-party delivery applications such as "Uber Eats", "DoorDash", and "GrubHub". Our agreement is an exclusive agreement with the third-party service provider, and we do not intend to enter into any other such arrangements with other service providers. The terms of our agreement permit us to terminate fulfillment through the third-party service provider in any territory in which a Restaurant location provides delivery services through third-party delivery applications. Restaurant owners will not compete with these fulfillment centers once their Restaurant locations are open and operational.

Laws, Rules and Regulations

Your Restaurant will be subject to laws and regulations in your state, county, or municipality regarding the operation of a restaurant, including laws and regulations relating to the preparation and dispensation of food products, occupational hazards and health laws, sanitation laws, and consumer protection laws.

You will also be subject to laws or regulations that are not specific to the restaurant industry, but applicable to businesses in general, including zoning laws, labor laws and the Fair Labor Standards Act, workers' compensation laws, business licensing laws, tax regulations, and the Americans with Disabilities Act.

We have not investigated the laws or regulations applicable to your Restaurant. You are solely responsible for investigating all applicable federal, state, and local laws and regulations, and your cost to comply with such laws and regulations, and you should do so before purchasing a franchise from us. We strongly suggest that you consult with an attorney, consultant and/or financial advisor regarding such regulations prior to purchasing a franchise from us. Applicable laws and regulations are subject to change.

Special Industry Regulation

Federal, state and local jurisdictions have enacted laws, rules, regulations and ordinances that may apply to the operation of your Restaurant, including those that (i) establish general standards, specifications and requirements for the construction, design and maintenance of restaurant premises; (ii) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for restaurants; employee practices concerning the storage, handling, cooking and preparation of food and beverages; restrictions on smoking; availability of and requirements for public accommodations, including restrooms; (iii) set standards pertaining to employee health and safety; (iv) set standards and requirements for fire safety and general emergency preparedness; (v) govern the use of vending machines; (vi) control the sale of alcoholic beverages; and (vii) regulate the proper use, storage and disposal of waste, insecticides, and other hazardous materials. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your Restaurant and should consider both their effect and cost of compliance.

Upon your request, and with our prior approval, your Restaurant may be permitted to serve craft beer and wine. State alcoholic beverage regulatory authorities administer and enforce laws and regulations that govern the sale of alcoholic beverages. If we permit you to service alcoholic beverages at your Restaurant,

you will be required to comply with state and local laws in order to obtain a beer and wine license for your Restaurant. You must comply with all applicable laws, rules and regulations in your state and locality related to the sale of alcoholic beverages at your Restaurant.

In addition, you must comply with all local, state, and federal laws that apply to your Restaurant including health, sanitation, no smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws, including all requirements set forth in the Alcoholic Beverage Control Act and in the California Code of Regulations, Title 4 with regard to the sale of alcoholic beverages. The Americans with Disability Act of 1990 requires readily accessible accommodation for disabled people and therefore may affect your building construction, site elements, entrance ramps, doors, seating, bathrooms, etc. You must obtain all required real estate permits, licenses and operational licenses. You must also comply with all menu and menu board labeling laws and rules requiring restaurant operators to disclose certain calorie or other nutritional information about the foods they sell, including, for example, the FDA's Nutrition Labeling of Standard Menu Items in Restaurants and Similar Food Establishments Rule. California law requires each food facility that meets specified criteria (which cover franchised outlets with at least 19 other franchised outlets with the same name among certain other food facilities) to provide nutritional information that includes, per standard menu item, the total number of calories, grams of saturated fat, grams of trans fat, and milligrams of sodium and to have menu boards to include the total number of calories. In California, local county health departments inspect restaurants and other retail food facilities to ensure compliance with safe food handling practices and adequacy of kitchen facilities. Other states and cities may have laws similar to these California laws.

The Nutrition Labeling and Education Act (NLEA) sets regulations for food labeling, including nutritional label standards, nutrient content claims, and health claims. NLEA applies to virtually all foods in the food supply, including food served and sold in restaurants. While NLEA specifies a number of exemptions for restaurants, there are many instances where a nutritional label is required. The Food and Drug Administration's *Nutritional Labeling Guide for Restaurants and Other Retail Establishments* provides answers to commonly asked questions regarding the application of NLEA. The Health Care Reform Bills that became law in March 2010 additionally contain provisions that require disclosure of nutrition and calorie information in chains of more than 20 restaurants.

The Payment Card Industry Data Security Standard ("PCI") requires that all companies that process, store, or transmit credit or debit card information maintain a secure environment. PCI applies to all organizations or merchants, regardless of size or number of transactions, that accepts, transmits or stores any cardholder data.

You should consult with your attorney concerning these and other local laws and ordinances that may affect your Restaurant. You alone are responsible for compliance despite any advice or information that we may give you. We have not researched any of these laws or regulations to determine the specific applicability to your business.

ITEM 2 - BUSINESS EXPERIENCE

Roy Jones - CEO

Mr. Jones has served as our CEO since August of 2021. From February of 2013 to January of 2018 Mr. Jones served as Division Vice President for Papa Murphy's International, LLC in Vancouver, Washington. From January of 2018 to August of 2021 Mr. Jones served as a self-employed consultant to various restaurant businesses in Melbourne, FL. Mr. Jones serves in his current capacity in Charlottesville, Virginia.

Thomas (Ty) Austin, III - Director

Mr. Austin has served as one of our Directors since August of 2021. From April of 2001 to the present Mr. Austin has served as an owner and operator of the Company-Owned Outlets in Charlottesville, Virginia. Mr. Austin serves in his current capacity in Charlottesville, Virginia.

William A. Hamilton, IV - Director

Mr. Hamilton has served as one of our Directors since August of 2021. From April of 2001 to the present Mr. Hamilton has served as an owner and operator of the Company-Owned Outlets, in Charlottesville, Virginia. From August of 2001 to the present Mr. Hamilton has served as an owner and operator of Gearharts Fine Chocolates in Charlottesville, Virginia. From February of 1996 to the present Mr. Hamilton has served as an owner and operator of Hamilton's at First and Main in Charlottesville Virginia. From August of 2018 to the present Mr. Hamilton has served as an owner and operator of Peloton Station in Charlottesville, Virginia. Mr. Hamilton serves in his current capacity in Charlottesville, Virginia.

Christopher (Chris) DuBois – Director

Mr. DuBois has served as one of our Directors since August of 2021. From June of 2001 to the present Mr. DuBois has served as an owner and operator of the Company-Owned Outlets in Charlottesville, Virginia. Mr. DuBois serves in his current capacity in Charlottesville, Virginia.

ITEM 3 - LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4 – BANKRUPTCY

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

ITEM 5 – INITIAL FEES

Initial Franchise Fee

You must pay us a \$49,500 initial franchise fee when you sign the Franchise Agreement for your Restaurant ("Initial Franchise Fee"). The Initial Franchise Fee is uniform to all franchisees and deemed fully earned and nonrefundable upon payment.

Grand Opening Marketing Spend

You must pay us \$20,000 to conduct a grand opening advertising campaign on your behalf (the "Grand Opening Marketing Spend"). The Grand Opening Marketing Spend is due upon execution of your Franchise Agreement and is uniform to all franchisees and is nonrefundable upon payment.

Development Fee

If we grant you the right to open three (3) or more Restaurants under a Development Agreement, you must pay us a one-time Development Fee upon executing your Development Agreement. Your Development Fee will depend on the number of Restaurants we grant you the right to open within the Development Area and is calculated as follows: (i) \$125,000 for the right to open three Restaurants, plus an additional \$37,500 for the right to open each additional Restaurant (up to a total of five); (ii) \$35,000 per Restaurant if we grant

you the right to open and operate between six and nine Restaurants; and (iii) \$30,000 per Restaurant if we grant you the right to open and operate 10 or more Restaurants.

You will be required to enter into our then-current form of franchise agreement for each Restaurant you wish to open under your Development Agreement, but you will not be required to pay any additional Initial Franchise Fee at the time you execute each of these franchise agreements. If you enter into a Development Agreement, you must execute our current form of Franchise Agreement for the first Restaurant we grant you the right to open within your Development Area concurrently with the Development Agreement. Your Development Fee will be deemed fully earned upon payment and is not refundable under any circumstances. The Development Fee described above is calculated and applied uniformly to all of our franchisees.

Refunds, Different Fees and Financing

The Initial Franchise Fee, Grand Opening Marketing Spend, and Development Fee are fully earned by us when paid and are not refundable under any circumstances. We may reduce, finance, defer or waive the Initial Franchise Fee, Grand Opening Marketing Spend, or Development Fee if and when we determine, it is warranted by a unique or compelling situation. We generally do not provide financing for the Initial Franchise Fee, Grand Opening Marketing Spend or Development Fee. We may do so if and when we determine it is warranted by a unique or compelling situation.

ITEM 6 - OTHER FEES¹

Type of Fee	Amount	Due Date	Remarks
Royalty fee ("Royalty")	(i) 3% of Gross Sales during the first six months of operations; and (ii) the greater of 6% of Gross Sales or \$500 per week beginning in your 7 th month of operations and thereafter.	Weekly payment (Wednesday) to us, via electronic funds transfer.	" Gross Sales " means the total receipts from all sales by the Restaurant of all food items, beverages and other products or services authorized for sale at the Restaurant or at any approved off-site location but exclusive of sales or equivalent taxes, coupon and similar discounts, and beverage container deposits approved by us. Premium or similar promotional items must be included in computing Gross Sales unless these items have been sold at or below cost by the Restaurant.
Advertising and Marketing Fund Contribution	Up to 4% of Gross Sales Currently, 1.5% of Gross Sales	Weekly payment (Wednesday) to us, via electronic funds transfer.	We have established an advertising and marketing fund (the "Advertising and Marketing Fund") for the common benefit of System franchisees. Currently, you are required to participate in and contribute 1.5% of your Gross Sales weekly to the Advertising and Marketing Fund (the "Advertising and Marketing Fund Contribution") in the manner we prescribe. You must pay the Advertising and Marketing Fund Contribution in the same manner as the royalty fees due under the Franchise Agreement. We reserve the right to increase your Advertising and Marketing Fund to up to 4% of Gross Sales upon 30 days' notice.

Type of Fee	Amount	Due Date	Remarks
Local Advertising, Marketing, and Promotional Expenditure	Currently \$500 per month but may increase up to a maximum of \$1,500 per month upon 90 days' notice.	As incurred	In addition to the Advertising and Marketing Fund Contributions, you must spend a minimum of \$500 per month on local advertising and promotion implemented in a format and using materials and designs approved by us. These amounts are subject to change up to a maximum of \$1,500 per month upon 90 days' notice.
Technology Fee	Currently \$500 per month. We anticipate the development of a mobile application which will increase this technology fee to \$600 per month.	Monthly beginning in the month you open your Restaurant	The Technology Fee currently includes fees related to your maintenance, licensing, access to and usage of our designated software, our intranet, and the Sticks Kebob Shop website, and our mobile application (when developed). We may add, delete, or otherwise modify the products and services that are included in the Technology Fee. In addition to the monthly Technology Fee, you will be responsible for any "per transaction" fee charged by third-party vendors for mobile application or online ordering. We may increase the Technology Fee upon 30 days' written notice.
Cooperative Marketing Fees	As determined by us and 50% or more of the participating Restaurants in the Cooperative Marketing Program, not to exceed 2% of Gross Sales.	As we designate	You must contribute to the Cooperative if we establish a Cooperative Marketing Program in the Marketing Coverage Area where your Restaurant is located. Your contributions will be credited against your local marketing expenditures.
Audit fee	The costs of the audit	10 days after notice of amount due	You will pay us the costs of an audit to be performed if you fail to provide monthly financial statements, which are required by the Franchise Agreement in excess of 3 times per calendar year or if a random audit shows an understatement of Gross Sales in excess of 3%.
Late fee	10% of the amount due	Within 10 days of the date of the statement for the amount due	You will pay us a late fee in the amount of 10% if you fail to pay the Royalty and Advertising and Marketing Fund Contribution within 10 days of the due date.
Interest on late payments	1.5% per month	Within 10 days of the date of the statement for the amount due	You will pay us interest on any overdue fee that is payable to us in the amount of 1.5% per month.

Type of Fee	Amount	Due Date	Remarks
Onsite Training Travel Reimbursement	The travel and living expenses for our personnel who provide Onsite Training at your Restaurant, up to a maximum of \$5,000	Within 10 days of receipt of invoice.	We will provide Onsite Training at your Restaurant during the period that is one week prior to opening your Restaurant and continuing for one-week after opening. After completion of Onsite Training, we will invoice you for reimbursement of our reasonable travel and living expenses, up to a maximum of \$5,000
Additional training fee	Then-current fee, which will not exceed \$500 per day	Prior to commencement of the training program	You will pay us a fee if you ask for special assistance or we determine that additional training is warranted after your initial training period.
Pre-Opening Additional Initial Training Fees	\$1,000 per additional trainee plus your out-of-pocket expenses, including transportation, food and lodging.	On demand.	We will provide an Initial Training Program for up to 3 supervisory or managerial personnel, including you, your Controlling Person and your Key Manager. If you send more than 3 supervisory or managerial personnel to the Initial Training Program, you must pay this Pre-Opening Additional Initial Training Fee per week per additional trainee.
Post-Opening Additional Initial Training Fees	Our out-of-pocket expenses, for transportation, food and lodging for each of our employees who provide Post-Opening Training at your Restaurant location.	On demand.	If, following the opening date of a Restaurant, you request us to provide additional Initial Training Programs for new or replacement supervisory or managerial personnel, you must pay this Post-Opening Additional Initial Training Fee.
Operating Manual	\$250	As incurred	In the event an Operating Manual is lost, stolen, or otherwise unavailable to you, you shall pay us up to \$250.
Alternative Supplier Evaluation Fees	\$500 application fee plus our costs incurred in evaluating the alternative supplier.	When the application is submitted	If you seek approval of a new supplier or product, we may charge you the \$500 application fee for conducting the evaluation plus our costs incurred in evaluating the alternative supplier.
Renewal Fee	10% of our then-current initial franchise fee	At least five months before the signing of the renewal franchise agreement	Payable to us, if you wish to renew your franchise agreement.
Transfer fee	10% of the amount of the future, then applicable system franchise fee or \$5,000, whichever is greater	Due at time Transferee signs Franchise Agreement	Either you or transferee must pay us 10% of the future, then-applicable system franchise fee, or \$5,000, whichever is greater.

Type of Fee	Amount	Due Date	Remarks
Temporary Key Manager	Currently, \$500 per employee or agent for each full or partial day, plus their travel and living expenses plus our actual costs and expenses.	Within 10 days of receipt of an invoice.	Payable if we provide a Key Manager to work at your Restaurant, after the departure of your previous manager, until a new Key Manager is hired and trained. We are under no obligation to provide a Key Manager to you.
Temporary Management	5% of the Restaurant's Gross Sales during the period of management, plus any direct out of pocket costs and expenses.	Within 10 days of receipt of an invoice.	Payable if we exercise our right to manage your Restaurant after a default. We are under no obligation to provide temporary management services to you.
Seminar and Convention Fee	Then-current attendance fee	As incurred	We reserve the right to charge our then-current conference fee for your attendance at any required conference or seminar, regardless of whether or not you attend. Fees for travel, food, and lodging to attend seminars and conventions also must be paid by you. Paid to various vendors. Travel and lodging fees may be reimbursed if agreed in advance and you are helping to conduct the training.
Licenses and permits	Various amounts	Prior to commencement of business operations	Due to various local government entities for operating a business.
Sanitation and Food Safety Audits	Cost of the inspection.	On demand.	We may, in our sole discretion, contract with a third party to conduct sanitation and food safety audits during the term of your Franchise Agreement.
New Product and Supplier Testing Fees	Actual cost of inspection testing; \$1,000 must be paid as a deposit before facility inspection.	As incurred.	If you propose to purchase any goods or materials from a supplier that we have not previously approved, we have the right to require an inspection of the supplier's facilities and testing of samples we designate. You must pay us a fee equal to the actual cost of the inspection and testing.
Costs and attorneys' fees, and expert fees	Will vary under circumstances	As incurred	Payable to us, to reimburse us for fees incurred by us in obtaining injunctive or legal relief for the enforcement of any item of the Franchise Agreement or for costs incurred for Arbitration proceedings. These fees are non-refundable
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if we are held liable for any claims arising from your business. This fee is nonrefundable.

Type of Fee	Amount	Due Date	Remarks
Insurance	Will vary according to coverage and area	As incurred	You must be fully covered in all areas of operating a business. Earned premiums are not refundable.

Notes:

1. These fees are uniformly imposed, payable to us, and non-refundable unless otherwise noted. Fees payable to third parties may be refundable based on your individual arrangements. You must participate in our then-current electronic funds transfer and reporting program(s). All fees owed and any other amounts designated by us must be received or credited to our account by pre-authorized bank debit by 5:00 p.m. on or before the applicable due date. Your franchised business may be located in a jurisdiction whose taxing authority will subject us to tax assessments on payments you submit to us for the Royalty Fee and Marketing Fund contributions. Under such circumstances, you will be required to adjust, or “gross up” your payment to us to account for these taxes.

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ITEM 7 –ESTIMATED INITIAL INVESTMENT

A. Your Estimated Initial Investment - Franchise Agreement

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to be Made
Initial Franchise Fee ¹	\$49,500	Lump Sum	Upon signing Franchise Agreement	Us
Travel/Living Expenses While Training ²	\$1,000 –\$9,000	As incurred	As incurred	Various vendors
Real estate/rent and deposit ³	\$7,500 – \$30,000	As incurred	As incurred	Landlord
Leasehold Improvements ⁴	\$50,000 - \$175,000	As incurred	As incurred	Various providers
Buildout Management ⁵	\$10,000 - \$25,000	As incurred	As incurred	An approved vendor
Equipment and Small Wares ⁶	\$50,000 – \$125,000	As incurred	As incurred	Various suppliers
Mill Works and Furniture ⁷	\$8,000-\$40,000	As incurred	As incurred	Various suppliers
Signage ⁸	\$5,000 – \$25,000	As incurred	As incurred	Vendor
Business Management and Technology System & Technology Fee (3 months) ⁹	\$6,500 - \$8,000	As incurred	As incurred	Designated vendor
Office Supplies ¹⁰	\$500 - \$2,000	As incurred	As incurred	Various suppliers
Licenses and Permits (Not including liquor license) ¹¹	\$500 - \$2,000	As incurred	As incurred	Licensing and permit authorities
Legal and Accounting ¹²	\$2,000-\$7,500	As incurred	As incurred	Attorney, Accountant
Dues and Subscriptions ¹³	\$100-\$300	As incurred	As incurred	Various vendors
Utility Deposits ¹⁴	\$0 – \$3,500	As incurred	As incurred	Utility companies
Insurance ¹⁵	\$500-\$3,000	As incurred	As incurred	Insurance company
Initial Inventory ¹⁶	\$5,000–\$7,000	As incurred	As incurred	Designated and approved suppliers
Grand Opening Marketing & Local Area Marketing (3 months) ¹⁷	\$21,500	As incurred	As incurred	Us
Additional Funds—3 months ¹⁸	\$30,000–\$40,000	As incurred	As incurred	Various vendors
Total¹⁹	\$247,600 to \$573,300			

*Unless otherwise noted below, the expenses listed above are non-refundable.

Explanatory Notes:

- (1) Initial Franchise Fee. The initial Franchise Fee is \$49,500 for a single-unit Franchise Agreement.
- (2) Travel and Living Expenses While Training. We provide the initial training program tuition-free for up to three (3) of your representatives, however, you are required to pay the expenses that you will incur for travel, food, and lodging during the initial training program. The costs you incur will vary depending upon factors such as distance traveled, mode of transportation, travel preferences (such as air travel or ground transportation), nature of accommodations, per diem expenses actually incurred, and the number of persons who attend training. The low end of this estimate assumes that one (1) person will be attending initial training at our corporate offices in Charlottesville, Virginia, and that you will not need to purchase a flight to attend, while the high end assumes that a total of three (3) individuals will attend the initial training and will be required to purchase a flight to/from that training in order to attend. Your other managers or personnel may attend training classes for an additional fee of \$1,000 per person, plus travel, lodging and living expenses, which fees and expenses are not included in the estimated range above. We do not charge any fee for providing Onsite Training to you; however, you will be responsible for the reasonable travel and living costs of our training personnel, up to a maximum of \$5,000. This cost does not include salaries or wages owed to employees of your Restaurant, which are covered under the “Additional Funds” estimated range.
- (3) Real Estate/Rent and Deposit. A Sticks Kebob Shop Restaurant is estimated to require about 1,800 to 2,200 square feet of space. Rent depends on geographic location, size, local rental rates, businesses in the area, site profile, and other factors and could be considerably higher in large metropolitan areas than in more suburban or small-town areas. Sticks Kebob Shop Restaurants can be located in strip shopping centers, shopping malls, free-standing units, and other venues in downtown commercial areas and in residential areas. We anticipate that you will rent the Restaurant’s premises. It is possible, however, that you will choose to buy, rather than rent, real estate on which a building suitable for the Restaurant already is constructed or could be constructed. Real estate costs depend on location, size, visibility, economic conditions, accessibility, competitive market conditions, and the type of ownership interest you are buying. The low estimate assumes you are able to negotiate a period of rent abatement for the initial portion of your lease term and will only be required to make a security deposit upon execution of the lease for your Restaurant. Your ability to obtain a rent abatement will depend upon negotiating power and other prevailing market factors in the area in which you locate your Restaurant.
- (4) Leasehold Improvements. Leasehold improvement costs, including floor covering, wall treatment, counters, ceilings, painting, window coverings, electrical, carpentry, and similar work. Architect’s and contractor’s fees are included in this range and will depend on various factors, including: (i) the site’s condition, location, and size; (ii) the demand for the site among prospective lessees; (iii) the site’s previous use; the build-out required to conform the site for your Restaurant; and (iv) any construction or other allowances the landlord grants. The lower figures provided here under “Leasehold Improvements” assume that you remodel an existing building that has previously been utilized as a restaurant. Construction of a new building on a pad site or otherwise likely would require a greater initial investment, the amount of which would depend on market conditions.

Your actual costs will depend on, among other factors, the Restaurant location, the size of the Restaurant, the condition of the premises being remodeled, national and local economic factors, the local costs of material and labor, and the amount of tenant improvement allowances that you are able to obtain, if any. In certain major metropolitan markets such as Boston, Chicago, New York, Los Angeles, San Francisco, Seattle, and Washington, D.C., costs may be higher due to local market rates for materials and labor.

- (5) Buildout Management. You must use a supplier that we designate or have approved in writing to act as the construction management firm to assist you in managing the build out of your Restaurant. Additionally, we reserve the right to act as the construction management firm for the buildout of your Restaurant. If we exercise this right, we may use additional vendors to assist us with the buildout. You

will pay us this fee at the time of lease signing for your location (or, at site approval by us if you own the proposed location).

- (6) Equipment and Small Wares. These amounts include specific specialized equipment used in the preparation of all of our menu items that you may be required to purchase only from a designated or approved supplier. These amounts also include refrigerators, freezers, and other equipment, such as office equipment and furniture, and telephone system. The low estimate assumes you are able to purchase used equipment and other items that meet our standards and specifications.
- (7) Mill Works and Furniture. These amounts include purchases of furniture which you may be required to purchase only from a designated or approved supplier. Certain items of millwork such as cabinets and built-in tables and counter tops are also included in this amount.
- (8) Signage. This estimate includes the cost for one inside sign and one outside sign.
- (9) Business Management and Technology System. This estimate includes the amount for the required "Business Management and Technology System". Currently, the Business Management and Technology System is comprised of: (i) a "back office" desktop computer and an all-in-one printer; (ii) a point of sale and kitchen order management system from our designated supplier which includes a front desk computer register, a wall holstered tablet, a touch screen monitor and reference monitor in the back of house grill area, 3 printers, and customer accessible kiosk in the front of house portion of your Restaurant; and (iv) Internet access modem and high-speed networking equipment. This estimate also includes three months' payment of the required Technology Fee, which is currently \$500 per month, but may change upon 30 days' written notice to you.
- (10) Office Supplies. These amounts include your purchase of miscellaneous office supplies for use in the operation of your Restaurant such as printer paper, ink, writing utensils, and organizational supplies.
- (11) Licenses and Permits. You must obtain business licenses as dictated by state and local regulations. While we may provide guidance on these matters, you acknowledge that researching and obtaining business licenses in accordance with any law and regulation is solely your responsibility.

Upon your request and with our written approval, you may obtain a beer and wine license and serve these alcoholic beverages at your Restaurant. Because we do not require you to obtain a beer and wine license, we do not estimate the costs for these licenses in this Item 7. The cost of liquor licenses can vary widely based upon the location of your Restaurant. In some states, liquor licenses may only be available by way of purchase from an existing license holder, which may significantly increase your costs. You are encouraged to consult with an attorney or business advisor with knowledge of liquor licensing laws and permit availability in your market prior to signing your Franchise Agreement if you intend to offer beer and wine at your Restaurant.

- (12) Legal and Accounting. This estimate includes the cost of professional fees that you may incur in establishing your business. Such expenses may include fees payable to attorneys, accountants, and finance originators that you will need to use for the review of this Disclosure Document and its Exhibits, as well as for entity formation and lease negotiation.
- (13) Dues and Subscriptions. This estimate is for the costs for joining a local chamber of commerce or similar civic organizations in the area in which your Restaurant operates.
- (14) Utility Deposits. This estimate includes the costs of deposits for utility services at your Restaurant, which may be paid directly to utility providers or your landlord. The low-end estimate of \$0 takes into account instances where the cost of utilities is included in the rent amount for the store location and utilities deposits are waived based on your credit history.

- (15) Insurance. This estimate is for your insurance premium deposit and your first three months of insurance coverage, which may be paid prior to opening. You will need to check with your insurance carrier for actual premium quotes and costs, as well as for the actual amount of the deposit. The cost of coverage will vary based upon the area in which your business will be located, your experience with the insurance carrier, the loss experience of the carrier, the amount of the deductibles and of coverage, and other factors beyond our control. You should also check with your insurance agent or broker regarding any additional insurance that you may wish to carry above our required minimums.
- (16) Initial Inventory. This estimate includes the initial supply of inventory of food and beverage products, paper products, cleaning supplies, printing supplies, uniforms, promotional material and other supplies.
- (17) Grand Opening Marketing. You must pay us \$20,000 to conduct a grand opening advertising campaign on your behalf. You can expend any additional amounts that you wish on a grand opening advertising campaign, and we recommend that you do so. We will require you to pay \$20,000 to us for the Grand Opening Marketing Spend upon execution of the Franchise Agreement. This estimate includes your first 3 months of expenses for the Local Advertising, Marketing, and Promotional Expenditure, which you must spend in addition to your Grand Opening Marketing Spend.
- (18) Additional Funds – 3 Months. This item estimates the additional operating capital that you may need during the initial period (first three months) of operation of your Sticks Kebob Shop Restaurant (other than the items identified separately in the table). These expenses include payroll costs. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. Your costs depend on how much you follow our methods and procedures; your management skill, experience, and business acumen; local economic conditions; local rental rates and the local real estate market; the local market for your products and services; the prevailing wage rate; the competition; and the sales level reached during the initial period of operation of your Restaurant. We relied on the business experience of our owners and directors in opening the Company-Owned Outlets and other restaurant concepts in compiling this estimate.
- (19) TOTAL. We relied on the business experience of our owners and directors and publicly available industry data in compiling these estimates. Our owners and directors have over fifty combined years of experience in opening, owning and operating restaurants. Your costs may vary based on a number of factors including, but not limited to, the geographic area in which you open, local market conditions, the size of your Restaurant, and your skills at operating a business. We strongly recommend that you use these categories and estimates as a guide to develop your own business plan and budget and investigate specific costs in your area. Your actual costs in each category and your actual total costs may be higher or lower than the costs estimated in this chart. You should independently investigate the costs of opening a quick service restaurant in the geographic area in which you intend to open a Restaurant. You should also review the figures carefully with a business advisor before making any decision to purchase the Franchise. We do not currently offer financing directly or indirectly for any part of the initial investment, although we reserve the right to do so in the future. The availability and terms of financing depend on many factors, including: the availability of financing, generally; your creditworthiness and collateral; and the lending policies of financial institutions from which you request a loan.

B. Development Agreement

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Low Estimate	High Estimate	Method of Payment	When Due	To Whom Payment Is to be Made
Development Fee ⁽¹⁾	\$125,000 (3 Restaurants)	\$300,000 (10 Restaurants)	Lump Sum	When sign Development Agreement	Us

Estimate Initial Investment for First Restaurant ⁽²⁾	\$198,100	\$523,800	As incurred	As incurred.	Us and third parties
TOTALS⁽³⁾	\$323,100	\$823,800			

Explanatory Notes

1. Development Fee. Upon signing the Development Agreement, you must pay us the Development Fee. All fees and payments are non-refundable, unless otherwise stated or permitted by the payee. The Development Fee varies based on the number of Restaurants you commit to develop. The low estimate is based on a commitment to develop three Restaurants (in which case the Franchise under each Franchise Agreement would be \$41,666.67 per Restaurant) and the high estimate is based on a commitment to develop 10 Restaurants (in which case the Franchise Fee under each Franchise Agreement would be \$30,000 per Restaurant). We may permit you to enter into a Development Agreement to develop more than ten (10) Restaurants if we determine that you are operationally and financially capable of doing so. The Development Fee for opening ten (10) or more Restaurants is equal to \$30,000 multiplied by the number of Restaurants we grant you the right to develop. The Development Fee is due upon execution of your Development Agreement and is not refundable. The Development Fee will be credited towards the initial Franchise Fee for each Restaurant developed under the Development Agreement. See Item 5.
2. Estimated Initial Investment for First Restaurant. For each Restaurant that you develop under a Development Agreement, you will execute a Franchise Agreement and incur the initial investment expenses for the development of a single Restaurant as described in the first table of this Item 7. This estimate is based on the expenses described in the first table of this Item 7. The estimate does not include the Franchise Fee, since the Development Fee is credited towards the Franchise Fee for each Restaurant.
3. Total. We do not provide financing to franchisees either directly or indirectly in connection with their initial investment requirements.

ITEM 8 - RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

In order to maintain our standards of consistent and high-quality Sticks Kebob Shop® Products and uniformity in our Restaurants, you must purchase all products and services required for the operation of your Restaurant from suppliers that we have identified and approved as meeting all of our specifications and standards or from us directly. You must operate your Restaurant in strict conformance with our methods, standards, and specifications which we prescribe in our confidential operating manual and various other confidential manuals and writings prepared for use by you in operating a Restaurant (collectively, the “Operating Manual”). The Operating Manual covers nearly all aspects of your Restaurant’s operations, such as food preparation and presentation techniques, employee training, and Restaurant management. These standards are subject to change. We will give to you and you must comply with our standards and specifications for the services and products offered at your Restaurant regarding food and beverages, menu, food type and quality, dry goods, sauces, raw ingredients, packaging material, promotional items, uniforms, smallwares, computer software and hardware, payroll services, facility services (for example, mats, mops and towels), telephone equipment, services, furnishings, fixtures, and equipment used in connection with operating your Restaurant, leasehold improvements, food preparation and storage, supplies, recipes, materials, forms, and other Sticks Kebob Shop® Products sold or used through a Sticks Kebob Shop® Restaurant. We reserve the right to change the standards and specifications from time to time on written

notice to you or as may be specified by the Operations Manual. We do not provide material benefits to franchisees based on their purchase of particular products or services

Approved Products, Services, and Suppliers

You may only offer approved products and services (“Approved Products and Services”) through your Restaurant. We will provide you with a list of Approved Products and Services prior to the opening of your Restaurant. All Approved Products and Services must meet our standards and specifications. In order to: (i) better assure the supply and quality of the Approved Products and Services; and/or (ii) enable us, in our sole discretion, to take advantage of marketplace efficiencies, we have the right to require you to purchase certain Approved Products and Services only from us or other suppliers or distributors approved or designated by us. We may develop certain proprietary products that you must purchase from us and offer for sale at your Restaurant. If you wish to offer products or services other than those we have authorized in connection with operating your Restaurant, you must obtain our prior written consent.

We may in the future designate certain products and menu items licensed to us by third parties which you may be authorized to sell in your Restaurant in our discretion. We may revoke our authorization to provide these products or menu items at any time, and upon notice from us you must immediately discontinue selling these products or menu item.

We are currently not an approved supplier of any products or services. We may designate ourselves and/or any affiliates we may have as an approved supplier, or the only approved supplier, from which you may or must lease or purchase particular products or services in developing and operating your Restaurant. Currently, we specify brands and specifications for certain products that you must purchase, such as sauces and beverages. Those brands of products are available from multiple suppliers. We do not currently require you to obtain them from any specific or designated supplier or source, but we reserve the right to designate an exclusive supplier in the future. You must offer products and services in the manner we prescribe, provide quality customer service, and otherwise operate your Restaurant in a manner which will enhance the image intended by us for the System.

Sticks Kebob Shop® Authorized Products

We may provide you with our proprietary sauces and marinades, branded products and proprietary beverages, packaging and other products that are produced or manufactured according to our trade secrets, proprietary recipes, specifications and/or formulas (collectively, the “Sticks Kebob Shop Proprietary Products”). You must buy Sticks Kebob Shop Proprietary Products only from us, or our Approved Suppliers. We will not be obligated to reveal our trade secrets or the recipes, specifications and/or formulas of Sticks Kebob Shop Proprietary Products to you or any third party. You must purchase, use, and maintain in stock a sufficient amount of Authorized Products and Sticks Kebob Shop Proprietary Products to operate your Restaurant. We have not derived any revenue from required franchisee purchases or leases but may do so in the future. “Sticks Kebob Shop Branded Products” are products that bear any of the Sticks Kebob Shop® Marks, including products that are prepared, sold and/or manufactured in strict accordance with our, methods, standards and specifications, including pre-packaged food and beverage products, clothing, souvenirs and novelty items. We will not, and are not required to, disclose to you the specific ingredients or recipes for any Sticks Kebob Shop Proprietary Products.

Currently, as part of the Business Management and Technology System, franchisees must purchase a designated point of sale computer system for each Restaurant. The relevant hardware and software may be obtained from any dealer, distributor or reseller that sells the designated computer system and hardware.

We have not established any purchasing or distribution cooperatives, and we do not currently require your participation in any purchasing or distribution cooperatives.

We reserve the right to formulate and modify our standards and specifications for operating a Restaurant based upon the collective experience of our executive team. We reserve the right to designate ourselves or an affiliate as an approved, or the sole approved, supplier for any item you must purchase in connection with the Restaurant. Our standards and specifications are described in the Franchise Agreement, the Operating Manual, and other written documents. We have the right, under the Franchise Agreement, to change the standards and specifications applicable to operation of the franchise, including standards and specifications for products, signs, interior designs and furnishings, supplies, fixtures, inventory and equipment by written notice to you or through changes in the Operating Manual. We may issue our standards or specifications for goods and services directly to you or our approved supplier. You may incur an increased cost to comply with these changes at your own expense. We will notify you of any change to our standards and specifications by way of written amendments to the Operating Manual or otherwise in writing.

In the event you wish to purchase any unapproved item, including inventory, and/or acquire approved items from an unapproved supplier, you must provide us the name, address and telephone number of the proposed supplier, a description of the item you wish to purchase, and the purchase price of the item, if known. At our request, you must provide us with a sample of the item you wish to purchase for testing purposes. If we incur any costs in connection with testing a particular product or evaluating an unapproved supplier at your request, you must reimburse our reasonable testing costs, regardless of whether we subsequently approve the item or supplier.

We will use our best efforts to notify you of our approval or disapproval of a particular supplier or product within 30 days of receiving all requested information. If we do not respond within 30 days, the supplier or product is deemed disapproved. We are not required to approve any particular supplier or product. We may base our approval of a proposed item or supplier on considerations relating not only directly to the item or supplier, but also indirectly to the uniformity, efficiency, and quality of operation we deem necessary or desirable in our System as a whole. We have the right to receive payments from suppliers on account of their dealings with you and other franchisees and to use all amounts we receive without restriction (unless instructed otherwise by the supplier) for any purposes we deem appropriate. We will not approve an unreasonable number of suppliers for a given item, which approval might, in our reasonable judgment, result in higher costs or prevent the effective or economical supervision of approved suppliers. Our criteria for approval of a particular supplier or product will be made available upon written request. We may revoke our approval of particular products or suppliers when we determine, in our sole discretion, that such products or suppliers no longer meet our standards. Upon receipt of written notice of such revocation, you must cease purchasing products from such suppliers. You must use products purchased from approved suppliers solely in connection with the operation of your Restaurant and not for any competitive business purpose.

We or our affiliates may receive revenues or profits or other material consideration from the purchases you make from us, our affiliates, or from other approved suppliers. We or our affiliates intend to earn revenue from your purchase of equipment, food products, packaging supplies and other items that we may specify from time to time. We or our affiliates may retain any rebates or other payments we receive from suppliers. Because we have just begun franchising, we have not received any revenues from franchisee purchases from us, our affiliates, or any approved or designated suppliers.

We estimate that the cost to purchase and lease all equipment, inventory, and other items and services that we require you to obtain from us or our affiliates, from designated suppliers, or in accordance with our specifications ranges from approximately 70% to 95% of all purchases and leases necessary to open your Restaurant and approximately 70% to 95% of your annual costs to operate your Restaurant on an ongoing basis. Neither we nor our affiliates have received any prior income from required franchisee purchases as of the date of this disclosure, but we reserve the right to do so in the future.

We provide you with no material benefits (such as granting additional franchises) based on your use of designated or approved suppliers or sources. There are presently no purchasing or distribution cooperatives, but we reserve the right to implement them in the future and to require your participation in them.

We have not established negotiated pricing arrangements for the benefit of our franchisees with any Approved Suppliers, but we may do so in the future. If we enter into negotiated pricing arrangements with Approved Suppliers, you may be able to purchase certain items from these suppliers at a reduced rate as a result of the negotiated purchase arrangement. We do not currently receive any material benefits as a result of franchisee purchases with any Approved Supplier. We and our affiliates do not presently and have not in the past received consideration from negotiating any purchasing arrangements with suppliers on behalf of franchisees, but we may do so in the future.

None of our owners or directors owns any interest in any supplier with whom you are required or recommended to do business.

Advertising

We must approve all advertising before first publication or use. Our advertising requirements are discussed more fully in Item 11 of this Disclosure Document.

Insurance

You will be required to procure and maintain insurance in the amounts we prescribe and specify in the Operating Manual, which we may update from time to time in our sole discretion. You agree to provide us with proof of coverage on demand. Currently, we require you to obtain the following policy types and coverage limits:

(a) Commercial General Liability insurance, with limits not less than \$1,000,000 per occurrence and \$2,000,000 general aggregate. There may be no products liability or completed operations exclusion. There may be no “Injury to Subcontractor Employee” (or its equivalent) exclusion. The Commercial General Liability policy must provide coverage to you for the hold harmless and indemnity clauses contained in the Franchise Agreement;

(b) Umbrella or Excess Liability Insurance with limits of \$1,000,000 per occurrence and \$1,000,000 general aggregate;

(c) Property Insurance for all of your property for its full Replacement Cost written on a Causes of Loss - Special Form or equivalent type policy. Property Insurance must be maintained with a deductible of no more than \$5,000;

(d) Commercial Automobile Liability Insurance, covering any liabilities of yours and ours with respect to the ownership, maintenance, or use of any auto used in connection with the business, with a limit of a minimum of \$1,000,000 Combined Single Limit;

(e) Workers’ Compensation insurance as required by law;

(f) Employers’ Liability insurance with limits not less than \$1,000,000 each accident, \$1,000,000 each employee by disease and \$1,000,000 policy limit by disease;

(g) Employment Practices Liability Insurance, including third party coverage, with limits not less than \$1,000,000 per claim and aggregate. We must be endorsed as a Co-Defendant;

(h) Data Breach Expense/Cyber Liability Insurance, including first and third-party coverage with limits no less than \$1,000,000, and regulatory expense coverage of no less than \$250,000; and

(i) all other insurance required by law or that we may reasonably require.

All insurance policies must be written by an insurance company with a Best's Insurance Guide minimum rating of A-VIII or better. All policies must include a waiver of subrogation in favor of us. In addition to the information listed above, you agree to carry such insurance as may be required by the lease of your location, by any lender or equipment lessor you select, and such workers' compensation insurance as may be required by applicable law. You must add us, and any parties we may designate, to all insurance contracts as additional insureds under your insurance policies at your cost.

Rebates.

We may, from time to time, receive rebates from Approved Suppliers based on the aggregate volume of items ordered. You will not be entitled to receive any portion of these rebates. We do not currently receive rebates based on purchases by franchisees. In addition, we may negotiate certain arrangements (including price terms) for the purchase of certain items, such as equipment, food products, and logoed paper products and cups with suppliers. We do not provide material benefits to franchisees (for example, renewal or granting additional franchises) based upon their purchase of particular products or services or use of particular suppliers. There are currently no purchasing or distribution cooperatives for the System. For the fiscal year ending December 31, 2020, we derived no revenue in the form of rebates from manufacturers or vendors as a result of required purchases by franchisees.

Gift Cards, Loyalty, CRM, Social Media Software, Online and Mobile Ordering Programs.

You may not create or issue any gift certificates or gift cards and may only sell gift certificates or gift cards that have been issued by us that are accepted at all Sticks Kebab Shop® Restaurants. You must participate in all gift certificate and/or gift card administration programs as we may designate from time to time. You must honor all coupons, gift certificates, gift cards and other programs or promotions we direct. You must fully participate in all guest loyalty or frequent customer programs now or in the future adopted or approved by us. You must not issue coupons or discounts of any type for use at your Restaurant except as approved by us in writing. In addition, you must purchase, enroll in or subscribe to, as applicable, all CRM, social media analytics and online and mobile ordering software or programs that we designate. We may change the designated suppliers of these or similar services in our discretion. You must change, purchase or subscribe to the additional programs or software, as applicable, after we give you notice to do so.

Music and Music Selection.

You must play only the music and music selections that we approve. You must install the equipment necessary to receive and play approved music. You will be required to obtain any necessary licenses for the playback of music in your Restaurant.

Leases and Leasehold Improvements.

You must purchase or lease a retail space for your Restaurant which meets our standards and specifications for a Restaurant. We must approve your location and lease terms before you sign a lease for a Restaurant location. We will condition our approval of your lease upon, among other conditions, your and your landlord's signing of a Lease Rider (which is attached to the Franchise Agreement as an Exhibit), through which your landlord grants us the rights to assume your rights and obligations under the lease in the event that you breach your lease agreement or your Franchise Agreement is terminated or expires.

We do not currently have a designated vendor to manage the construction and buildout of your Restaurant, but we reserve the right to designate one in the future. We must approve of all vendors used in the buildout of your Restaurant. We will provide you with a prototype layout for your architect to use in the buildout of your Restaurant. You must purchase and install furniture and fixtures as we prescribe.

ITEM 9 - FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Disclosure Document Item
(a) Site selection and acquisition/lease	Paragraph 6.3, 6.4, and 7.1 of the Franchise Agreement and Paragraphs 4 and 5 of the Development Agreement	Items 7 and 11
(b) Pre-opening purchases/leases	Paragraphs 6, 7, 9, 11, 14.3, 14.6 and 14.8 of the Franchise Agreement	Items 6, 7, 8, and 11
(c) Site development and other pre-opening requirements	Paragraphs 6, 7, 9, 14.6 and 14.8 of the Franchise Agreement, and Paragraphs 4.5 and 9.2 of the Development Agreement	Items 6, 7, 8 and 11
(d) Initial and ongoing training	Paragraphs 9, 10.2 and 14.8 of the Franchise Agreement	Items 6, 7 and 11
(e) Opening	Paragraph 7.3 of the Franchise Agreement, Paragraph 4 of the Development Agreement	Item 11
(f) Fees	Paragraphs 3.1, 5, 7.2, 9.1, 9.3, 12, 13.3, 14.3 and 14.8 of the Franchise Agreement, Paragraph 7 of the Development Agreement	Items 5, 6, 7 and 11
(g) Compliance with standards and policies/operations	Paragraphs 11 and 14 of the Franchise Agreement	Item 11
(h) Trademarks and proprietary information, including assignment of inventions	Paragraphs 15 and 19.5 of the Franchise Agreement, and Paragraph 10 of the Development Agreement.	Items 13, 14 and 17
(i) Restrictions on products/services offered	Paragraphs 6.1, 7.1, 7.2, 11 and 14.8 of the Franchise Agreement.	Items 6, 8, and 11
(j) Warranty and customer service requirements	Paragraphs 14.1 and 14.2 of the Franchise Agreement	Item 8
(k) Territorial development and sales quotas	Paragraphs 2.1, 4 and 7 of the Franchise Agreement, and Paragraphs 4 and 5 of the Development Agreement	Item 12
(l) On-going product/service purchases	Paragraphs 7.2, 9, 11, 12, 14.6 and 14.8 of the Franchise Agreement	Items 8 and 11

Obligation	Section in Agreement	Disclosure Document Item
(m) Maintenance, appearance and remodeling requirements	Paragraphs 7.1(e), 8 and 14 of the Franchise Agreement	Items 8 and 11
(n) Insurance	Paragraph 14.6 of the Franchise Agreement	Items 7 and 8
(o) Advertising	Paragraph 12 of the Franchise Agreement	Items 6, 7 and 11
(p) Indemnification	Paragraphs 15.3 and 21.3 of the Franchise Agreement	Item 6
(q) Owner's participation/ Management/ staffing	Paragraph 14.5 of the Franchise Agreement, and Section 8 of the Development Agreement	Items 11 and 15
(r) Records/reports/ audits	Paragraph 13 of the Franchise Agreement	Item 11
(s) Inspections	Paragraph 16 of the Franchise Agreement	Item 6
(t) Transfer	Paragraph 20 of the Franchise Agreement, and Paragraphs 12 and 13 of the Development Agreement	Item 17
(u) Renewal	Paragraph 3 of the Franchise Agreement	Item 17
(v) Post-termination obligations	Paragraph 17.5 of the Franchise Agreement	Item 17
(w) Non-competition covenants	Paragraph 19 of the Franchise Agreement	Item 17
(x) Dispute resolution	Paragraph 21.6 of the Franchise Agreement, and Paragraph 16 of the Development Agreement	Item 17
(y) Update e-mail address	Paragraph 21.7 of the Franchise Agreement	Item 9
(z) Guaranty	Paragraphs 18.6 and 20.3(d) and Exhibit A of the Franchise Agreements	Item 15

ITEM 10 – FINANCING

We and our affiliates do not offer direct or indirect financing arrangements for any purpose in establishing or operating your Restaurant. We and our affiliates do not guarantee your promissory note, lease, or any other obligation you may make to others.

ITEM 11 – FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

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

Franchise Agreement

Before you open the Restaurant, we will:

1. Approve the location of your Restaurant (the "Approved Location") and designate such location in the Franchise Agreement. Our decision as to whether to approve your proposed site will be made

within thirty (30) days after receipt of all relevant information and documentation reasonably requested by us. You must obtain a location that is acceptable to use within six (6) months of signing the Franchise Agreement. (Franchise Agreement - Paragraph 6.1). If you do not obtain a location that is acceptable to us within six (6) months of signing the Franchise Agreement, we shall have the right to terminate the Franchise Agreement and your initial fee or deposit will be forfeited if you fail to correct this failure within thirty (30) calendar days after written notice is delivered to you (Franchise Agreement – Paragraph 17.3(d));

2. Approve the lease or other document for occupancy of the Approved Location. (Franchise Agreement – Paragraph 6.3). Franchisor generally does not own the premises and does not lease it to the franchisee;

3. Provide you with standards and a list of approved suppliers for authorized food and beverages, storage and display equipment, other equipment, fixtures, furniture, signs and decorating required. Franchisor will only supply the names of approved suppliers and the written specifications for these items. (Franchise Agreement - Paragraph 7.2);

4. Offer certain training programs which you must enroll in and complete in operating the Restaurant. (Franchise Agreement - Paragraph 9);

5. Provide you with reasonable operating assistance and provide general guidance. (Franchise Agreement – Paragraph 10.1); and,

6. Make available to you for purchase a package of advertising and promotional materials for advertising and promoting your Restaurant opening. (Franchise Agreement – Paragraph 12).

During your operation of the Restaurant, we will:

1. Provide you with information on operating the Restaurant. Operating assistance will include:

- a. methods of authorized food and beverage preparation, packaging and sale; and,
- b. administrative, accounting, inventory control and general operating procedures. (Franchise Agreement - Paragraph 10.1);

2. Advise you of operating problems from your reports or our inspections. (Franchise Agreement – Paragraph 10.2);

3. From time to time formulate, develop, produce and conduct advertising and promotional programs in the form and media as we determine to be most effective as described below. (Franchise Agreement - Paragraph 12.1);

4. Offer you guidance on prices for the products and services that in our judgment constitute good business practice. (Standard Franchise Agreement - Paragraph 14.3);

5. Offer certain additional training programs which we may require you to attend as more fully described below. (Franchise Agreement – Paragraph 9.3);

6. Not unreasonably withhold approval to a proposed transfer if all requirements are met. (Franchise Agreement - Paragraph 20.4); and,

7. Loan to you one or more copies of an operating manual or operational bulletins or similar materials containing mandatory and suggested specifications, standards and operating procedures and rules

and information about your other obligations under the Franchise Agreement and the operation of the Restaurant (the “Operating Manual”). (Franchise Agreement -Section 14.3).

Advertising and Marketing Fund

We have established an Advertising and Marketing Fund for the common benefit of System franchisees. All franchisees contribute an equal amount to the Advertising and Marketing Fund. We also contribute to the Advertising and Marketing Fund for each Company-Owned Restaurant at the same rate as franchisees. Currently, you must contribute 1.5% of your Gross Sales to the Advertising and Marketing Fund in the manner we prescribe and participate in Advertising and Marketing Fund programs. We reserve the right to increase your Advertising and Marketing Fund Contribution to up to 4% of Gross Sales upon 30 days’ notice to you. We have the right to use Advertising and Marketing Fund Contributions, in our sole discretion, to develop, produce, and distribute national, regional and/or local advertising and to create advertising and public relations materials which promote, in our sole judgment, the products offered by System franchisees. We may use the Advertising and Marketing Fund to satisfy any and all costs of maintaining, administering, directing, preparing, and producing advertising, including: (a) the cost of preparing and producing television, radio, magazine, Internet, and newspaper advertising campaigns; (b) the cost of direct mail and outdoor billboard advertising; (c) the cost of public relations activities and advertising agencies; (d) the cost of developing and maintaining an Internet website, which may be used to collect customer orders, conduct surveys; and (e) personnel and other departmental costs for advertising that we internally administer or prepare. We are not obligated to expend monies from the Advertising and Marketing Fund in any particular franchisee’s market in proportion to the payments to the Advertising and Marketing Fund made by the franchisee in that market. We do not represent that we will spend any particular amount of Advertising and Marketing Funds locally, regionally, or nationally. While we do not anticipate that any part of Advertising and Marketing Fund Contributions will be used for advertising which is principally a solicitation for franchisees, we reserve the right to use the Advertising and Marketing Fund for public relations or recognition of our brand, for the creation and maintenance of a web site, a portion of which can be used to explain the franchise offering and solicit potential franchisees, and to include a notation in any advertisement indicating “Franchises Available.” (Franchise Agreement - Paragraph 12.3).

We use Advertising and Marketing Fund Contributions to develop and prepare advertising which we distribute to System franchisees for their placement in the local media. The advertising is prepared by us and by outside sources. If we do not spend all Advertising and Marketing Fund Contributions by the end of each fiscal year, the funds will be carried forward into the next fiscal year. There is no requirement that the Advertising and Marketing Fund be audited. Upon your written request, we will provide you with an unaudited accounting of Advertising and Marketing Fund expenditures. As of the date of this Disclosure Document, we have not collected any amounts of Advertising and Marketing Fund Contributions (Franchise Agreement - Paragraph 12.3).

We shall administratively segregate all contributions to the Advertising and Marketing Fund on our books and records. All such payments to the Advertising and Marketing Fund may be deposited in our general operating account, may be commingled with our general operating funds, and may be deemed an asset of ours, subject to our obligation to expend the monies in the Advertising and Marketing Fund in accordance with the terms hereof. We may, in our sole discretion, elect to accumulate monies in the Advertising and Marketing Fund for such periods of time, as we deem necessary or appropriate, with no obligation to expend all monies received in any fiscal year during that fiscal year. In the event our expenditures for the Advertising and Marketing Fund in any one fiscal year shall exceed the total amount contributed to the Advertising and Marketing Fund during such fiscal year, we shall have the right to be reimbursed to the extent of such excess contributions from any amounts subsequently contributed to the Advertising and Marketing Fund or to use such excess as a credit against its future contributions. The parties do not intend that the Fund be deemed a trust. (Franchise Agreement - Paragraph 12.3).

We have the sole right to determine how to spend the Advertising and Marketing Fund Contributions, or funds from any other advertising program, and the sole authority to determine the selection of the advertising materials and programs, provided, however, that we will make a good faith effort to expend such funds in the general best interests of the System on a national or regional basis. We are not required, under the Franchise Agreement, to spend any amount of Advertising and Marketing Fund Contributions in your Territory and not all System franchisees will benefit directly or on a pro rata basis from our expenditures. We have the right to reimbursement from the Advertising and Marketing Fund Contributions for reasonable costs and overhead, if any, as we may incur in activities which are reasonably related to directing and implementing the Advertising and Marketing Fund and advertising programs for franchisees and the System, including costs of personnel for creating and implementing advertising, promotional and marketing programs. (Franchise Agreement - Paragraph 12.3).

Grand Opening Plan

You must pay us \$20,000 to conduct a grand opening advertising campaign on your behalf. You can expend any additional amounts that you wish on a grand opening advertising campaign, and we recommend that you do so. We require you to pay \$20,000 to us upon execution of your Franchise Agreement. We are not required, under the Franchise Agreement, to spend any amount of on advertising in your area or territory outside of the grand opening advertising campaign.

Promotional Campaigns

We may conduct promotional campaigns on a national or regional basis to promote products or marketing themes. You must participate in all promotional campaigns which we may establish for the region in which your Restaurant is located. (Franchise Agreement, Section 12.1).

Local Advertising, Marketing, and Promotional Expenditure

In addition to the Advertising and Marketing Fund Contributions described above, you must spend a minimum of \$500 per month on local advertising and promotion implemented in a format and using materials and designs approved by us as your “Local Advertising, Marketing, and Promotional Expenditure”. You may spend any additional sums you wish on local advertising. You are permitted to use your own advertising materials, so long as you have submitted them to us, and we have approved them in writing prior to your use. We have the right, in our discretion, to require you to submit receipts documenting this marketing activity and we may increase the Local Advertising, Marketing, and Promotional Expenditure up to a maximum of \$1,500 per month upon 90 days’ written notice to you. (Franchise Agreement - Paragraph 12.4).

All advertising and promotion by you, including, but not limited to, all advertising and promotion conducted by you in print, or on radio, television, the Internet, and other electronic media, must be completely factual and shall conform to the highest standards of ethical advertising and be consistent with the then current image and policies relating to advertising and promotional programs of a Sticks Kebob Shop® Restaurant. You must obtain our advance written approval prior to using or producing any advertising or marketing materials using any of the Marks, in whole or in part. We will have the final decision on all creative development of advertising and promotional messages. If our written approval is not received within 14 days from the date we received the material, the material is deemed disapproved. We reserve the right to require you to discontinue the use of any advertising or marketing materials. (Franchise Agreement – Paragraph 12.2)

Regional Advertising Cooperative

We have the right, in our discretion, to designate any geographic area for purposes of establishing a regional advertising and promotional cooperative (“Cooperative”). All Company-Owned Restaurants and franchised Restaurants in the designated geographical area must participate in the Cooperative. If established, the Cooperative will be administered by us, and governing documents will be established and available for your review. All franchisees in the designated geographical area must participate in the Cooperative. Cooperative contributions will be credited towards your Local Advertising, Marketing, and Promotional Expenditure, and will not exceed the Local Advertising, Marketing, and Promotional Expenditure unless a majority of the Cooperative’s members vote to spend an amount greater than the Local Advertising, Marketing, and Promotional Expenditure on advertising. Each Cooperative will be organized for the exclusive purpose of administering regional advertising programs and developing, subject to our approval, standardized advertising materials for use by the members in local advertising. No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without our prior approval. All such plans and materials will be submitted to us in accordance with the procedure set forth in Section 12.1 of the Franchise Agreement. We may grant to any franchisee, in our sole discretion, an exemption for any length of time from the requirement of membership in a Cooperative, upon written request of such franchisee stating reasons supporting such exemption. Our decision concerning such request for exemption will be final. There is no requirement that the Cooperative fund be audited or prepare annual or period financial statements. Upon your written request, we will provide you with an unaudited accounting of Cooperative fund collections and expenditures. (Franchise Agreement - Paragraph 12.4).

Business Management and Technology System and Software

You must obtain, maintain, and use the certain brands, types, makes, and/or models of communications, computer systems, and hardware we specify for use in the operation of your Restaurant. Currently our computer system is comprised of: (i) a “back office” desktop computer and an all-in-one printer; (ii) a point of sale and kitchen order management system from our designated supplier which includes a front desk computer register, a wall holstered tablet, a touch screen monitor and reference monitor in the back of house grill area, 3 printers, and customer accessible kiosk in the front of house portion of your Restaurant; and (iv) Internet access modem and high-speed networking equipment (collectively, the “Business Management and Technology System”).

You will purchase, use and maintain any and all computer software programs (“Software”) which we have developed or may develop and/or designate for use for the System, and will purchase such computer hardware as may be necessary for the efficient operation of the Software. Specifically, you must obtain the software programs designated by us for use in the operation of Restaurant. Currently, you must obtain and use “Toast®” point of sale software for your Restaurant, but we may change the brand of point-of-sale software in the future. The cost of your use of the Toast software is included in your Technology Fee. You must also have access to general office software such as Microsoft Office or a similar software program for email, word processing, and spreadsheet management.

You will strictly comply with our standards and specifications for all items associated with the Business Management and Technology System and any Software. You agree, at your own expense, to keep your Business Management and Technology System in good maintenance and repair and install such additions, changes, modifications, substitutions, and/or replacements to the Business Management and Technology System or Software as we direct from time to time in writing. There is no contractual limitation on the frequency or costs of your obligation to update or upgrade the Business Management and Technology System. We estimate that the cost of obtaining the required Business Management and Technology System will be between \$5,000 and \$6,500. Although we estimate that you will not incur a substantial cost in updating the Business Management and Technology System on an annual basis, we estimate that the annual costs of any optional or required maintenance, updating, or support contracts will be less than \$7,000, which includes the monthly fee for the POS System.

If and at such time we develop and custom design any software programs for conducting scheduling, accounting, inventory and point-of-sale functions and related activities (“Proprietary Software Program”), you, at your own expense, agree to obtain the computer hardware required to implement the Proprietary Software Program into your Restaurant, and to comply with all specifications and standards prescribed by us regarding the Proprietary Software Program, as provided in the Operating Manual or otherwise in writing. This Proprietary Software Program will be proprietary to us and Confidential Information of ours. It is possible that we might not be able to alter the Proprietary Software Program to accommodate each and every franchisee of the System, and therefore, at such time that we require the implementation of such software, you will only utilize the program as prescribed by us. At such time as we require the implementation of such Proprietary Software Program, we or our designee agree to provide ongoing service and support to you regarding the Proprietary Software Program and will lease such Proprietary Software Program to you at the then current rates published by us. (Section 7.8.5 of the Franchise Agreement). We reserve the right to have independent access to any data you collect electronically. You must install, at your expense, the necessary computer hardware and software to provide us with full and direct electronic access to all of your data, software systems, and related information. (Franchise Agreement - Paragraph 14.8).

We shall have independent access to data on your Business Management and Technology System, including but not limited to sales figures, client information, projections, evaluations, and reports. We may require that your Business Management and Technology System, and all other electronic media, be programmed to automatically transmit data and reports about the operation of the Franchised Business to us. There are no contractual limitations on our right to access this information.

We reserve the right to specify and designate by brand, model, size, type and any other relevant standards or specifications the digital and other signs and displays which must be used or displayed in yours and any other Restaurant, including the right to require that you purchase any relevant signs or displays from us or from our affiliates.

You may be required to enter into licenses and agreements with us or with designated or approved third party vendors for technical support, warranty service, or collateral software licenses.

Internet

You must have and maintain adequate hardware and software in order to access the Internet at the bit speed we require from time to time. We may, but are not obligated to, establish an Internet website that provides information about the System and the products and services offered by Restaurants. In the event we exercise our right to create such a website, we have sole discretion and control over the website (including timing, design, contents and continuation). We may, but are not obligated to, create interior pages on our website(s) that contain information about your Restaurant and other Restaurants. If we do create these pages, we may require you to prepare all or a portion of the page for your Restaurants, at your expense, using a template that we provide. All such information will be subject to our approval prior to posting. (Franchise Agreement - Paragraph 14.8(E)).

Except as approved in advance in writing by us, you may not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the Restaurants, including any profile on Facebook, Pinterest, Twitter, LinkedIn, Instagram, YouTube, Snapchat or any other social media and/or networking site. If such approval is granted by us, you must: (i) establish and operate such Internet site in accordance with System standards and any other policies we designate in the Operating Manual or otherwise in writing from time to time; and (ii) utilize any templates that we provide to you to create and/or modify such site(s). (Franchise Agreement - Paragraph 14.8(E)).

We have the right to modify our policies regarding both our and your use of Internet websites as we deem necessary or appropriate for the best interests of the System. (Franchise Agreement, Section 12.3.4). You acknowledge that we and/or our affiliates are the lawful, rightful and sole owner of the Internet domain name www.SticksKebobShop.com, as well as any other Internet domain names registered by us, and you unconditionally disclaim any ownership interest in such domain names and any similar Internet domain names. You agree not to register any Internet domain name in any class or category that contains words used in or similar to any brand name owned by us or our affiliates or any abbreviation, acronym, phonetic variation or visual variation of those words. (Franchise Agreement - Paragraph 14.8(E)).

Computer Network, Intranet or Extranet Participation

You are required to participate in any System-wide computer network, intranet system or extranet system that we implement and may be required by us to use such computer network, intranet system, or extranet system to, among other things: (i) submit your reports due under the Franchise Agreement to us on- line; (ii) view and print portions of or updates to the Operating Manual; (iii) download approved local advertising materials; (iv) communicate with us and other System franchisees; and (v) complete training. You agree to use the facilities of any computer network, intranet system or extranet system in strict compliance with the standards, protocols, and restrictions that we include in the Operating Manual, including those related to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements. (Franchise Agreement - Paragraph 14.8(E)).

Site Selection

You will operate the Restaurant at the Approved Location agreed upon by you and us. (Franchise Agreement - Paragraph 6.1). While it is your responsibility to obtain a mutually acceptable site and negotiate a lease for your Restaurant, we may designate a vendor to assist you in the site selection process and provide input on the location as we deem reasonable and appropriate. We consider factors such as size, location, traffic patterns, visibility from roadways, parking space and outdoor seating in approving any given site. We anticipate your leased/purchased space should be between 1,800 square feet and 2,200 square feet.

You are solely responsible for complying with all applicable ordinances, building codes, and for obtaining permits required to operate the Restaurant from your Approved Location, and ensuring your compliance with all applicable laws and regulations, including the Americans with Disabilities Act. All costs connected with the design, construction, leasehold improvements, equipment, furnishings, fixtures, and signs are your responsibility.

You must obtain a location acceptable to us within six (6) months of signing the Franchise Agreement. Failure to do so may result in termination of your Franchise Agreement. (Franchise Agreement - Paragraph 6.1). We estimate that it will take approximately twelve (12) months from signing the Franchise Agreement for you to open your Restaurant. The actual length of this period will depend upon factors such as your ability to obtain a mutually acceptable site and the lease for that site, financing arrangements, training schedules, delivery schedules for inventory and equipment and other factors including the time necessary to obtain zoning permits, licenses, and variances. Under the Franchise Agreement, you are required to open your Restaurant no later than twelve (12) months after you sign the Franchise Agreement, unless we agree to an extension in writing.. If the Restaurant has not been opened within this twelve (12)-month time frame, we may, at our sole discretion, elect to terminate your Franchise Agreement. (Franchise Agreement – Paragraph 17.2(b)).

Social Media

In order to maintain a consistent image and message and to protect the Marks and System, you must not participate or market through the use of social technology, social media such as Facebook, Instagram, Sticks Franchising, LLC

TikTok, Pinterest and Twitter, social networking platforms or other forms of electronic media not yet developed (“**Social Media Platforms**”) using the Marks, or in connection with the your Restaurant, without our prior written consent. If you separately register any Social Media Platform account (a “**Social Media Account**”) containing the Marks or related to your Restaurant, whether with our prior consent or not (i) you must promptly notify us and provide us with all necessary information related to the Social Media Account we require or demand, without compensation to you; and (ii) the Social Media account will become our property, without compensation to you. We will be the sole owner of all related intellectual property rights in all Social Media Accounts and all content posted on Social Media Accounts.

Designated Franchise Portal.

You must actively use and monitor our then current online portal or portals (the “**Designated Franchise Portal**”) in connection with the development and operation of your Restaurant, if and when we implement use of a portal. You or your Principal Owner or any other Owner and/or General Manager must log into the Designated Franchise Portal at least once a week. (Franchise Agreement Section 14.2).

Data Security Safeguards.

You must use your best efforts to protect your customers against identity theft, data breach or any other theft of personal information (a “**Cyber Event**”). You must reimburse us for our out-of-pocket costs we incur in responding to and remedying any Cyber Event you. You must at all times maintain compliance with all applicable laws regarding data privacy, data security and security breaches and our security policies and guidelines that we may adopt and/or amend from time to time. (Franchise Agreement, Section 14.2).

Advisory Council.

We may establish an Advisory Council for franchisees to work with us and to consult with us on potential improvements to the System, the products offered by Restaurants, advertising conducted by the Marketing Fund and any other matters that we deem appropriate. If an Advisory Council is formed, it will act solely in an advisory capacity, will not have decision making authority, and will be comprised of our representatives and franchisees who may be chosen by us or elected by other franchisees. All franchisees who serve on an Advisory Council must pay their own transportation costs, food, lodging and similar expenses to attend Advisory Council meetings. We will have the right to form, change, merge or dissolve any Advisory Council at any time, in our discretion. (Franchise Agreement, Section 12.5).

Training

Initial Training Program

After signing your Franchise Agreement and before opening your Restaurant, you or (if you are an approved entity) your Controlling Person, and your Key Manager must enroll in and complete all training programs and classes which we require for the operation of a Restaurant. These training programs and classes will be furnished at such times and places as we designate. All training programs and classes must be completed to our satisfaction. You will be responsible for the travel, lodging, and living expenses and other costs (including employee salary and wages) incurred during these training programs and classes.

We offer initial training at our corporate headquarters (“**Initial Training**”) tuition-free for up to three people per franchisee Restaurant, who ordinarily should be you, your Controlling Person, and your Key Manager. Your other managers or personnel may attend training classes for an additional fee, initially expected to be \$1,000 per person, plus travel, lodging and living expenses.

We expect that the Initial Training classes will take approximately one week and will be held in Charlottesville, Virginia, or another location that we designate. Training will be offered at least once per calendar quarter, but we may (in our discretion) provide more frequent training classes if our volume of franchise sales and the number of incoming franchisees makes it reasonable to do so. We may provide the entire Initial Training program virtually via video conference in our discretion. The materials used in our training program will include the Operating Manual, power point presentations, online videos and documents, and in-person or virtual live training presentations. To reduce travel costs to the franchisee, we may also permit training to occur in Sticks Kebob Shop Restaurants around the country. If we currently have, or appoint in the future, an Area Representative in the area in which your Restaurant is located, the Area Representative may provide some or all of our Initial Training program to you.

INITIAL TRAINING TABLE

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Introduction to the system	4	0	Online or at Our headquarters or other location we designate
Site Selection, Design, Development, Business Basics	16	0	Online or at Our headquarters or other location we designate
Hiring, Training and Technology	2	2	Online or at Our headquarters or other location we designate
Ongoing Management and Local Store Marketing	6	2	Online or at Our headquarters or other location we designate
Store Operations	2	6	Online or at Our headquarters or other location we designate
<u>TOTALS</u>	30	10	

Should you, your Controlling Person, or your Key Manager fail to complete Initial Training to our satisfaction, at our option, the respective person may repeat the course, or in the case of you Key Manager, you may send a replacement (the “**Replacement Personnel**”) to the next available Initial Training program. Failure by you, your Controlling Person, your Key Manager, or any Replacement Personnel to complete the Initial Training program to our satisfaction is a material breach of the Franchise Agreement and we may terminate the Franchise Agreement.

Your other employees may be trained by you, or at your request, and subject to the availability of our personnel, we will train your additional personnel at one of our restaurants at a fee of \$500 per person per day. All training related expenses for your additional teaching personnel, including transportation to and from the training site, lodging, meals, and salaries during training, are your sole responsibility. We will provide you with training materials for you to use in training your personnel. You may only use the training materials that we provide to you to train your personnel. Updated training materials will be provided to you as they are developed. All training materials provided to you are our property, and you agree not to challenge our or our affiliates’ title or rights in or to the training materials. You may not make any disclosure, duplication or other unauthorized use of any portion of the training materials.

We may also, at our option, require you, your Controlling Person, or your Key Manager to attend supplemental or additional training programs which may be offered from time to time by us or our affiliates during the term of the franchise. The fee for such training shall not exceed \$500.00 per training class. You will be responsible for the reasonable costs of such programs and also for the travel, lodging and living expenses and any other costs incurred during these programs. You must complete this supplemental or additional training within one year of the time in which it is originally requested by us or our affiliates or

designees. These supplemental or additional classes are not expected to require more than two days of classroom or on the job training, plus any travel time.

Onsite Training Program

Prior to opening your first Franchise Restaurant you, your Controlling Person, and you Key Manager must complete our additional “**Onsite Training**” at your Franchise Restaurant. We anticipate Onsite Training will be conducted starting on the day that is one week prior to the opening date of your Restaurant and continuing for up to one week after the opening date. We do not charge any fee for providing Onsite Training to you; however, you will be responsible for the reasonable travel and living costs of our training personnel, up to a maximum of \$5,000.

ONSITE TRAINING TABLE

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Opening Your Restaurant	5	10	Your Restaurant location
POS System Setup and Operations	1	5	Your Restaurant location
Kitchen and Prep Area Setup and Breakdown	4	10	Your Restaurant location
Cleaning	0	5	Your Restaurant location
Store Operations	10	30	Your Restaurant location
<u>TOTALS</u>	20	60	

The instructors for our Initial Training Program all have experience working with us, the Company-Owned Outlets, or similar facilities, restaurants, and retail food establishments. The following individuals will lead our training programs: (i) Roy Jones, our CEO since our inception in 2021, who has over 30 years’ experience in direct operations and franchise operations of restaurants; (ii) Chris DuBois our co-founder and director since our inception in 2021, who has over 25 years’ experience in restaurant operations, and has owned and operated the Company-Owned Outlets since 2001; (iii) Thomas “Ty” Austin, our co-founder and director since our inception in 2021, who has over 25 years’ experience in restaurant operations, and has owned and operated the Company-Owned Outlets since 2001; (iv) William Hamilton, our co-founder and director since our inception in 2021, who has over 25 years’ experience in restaurant operations, and has owned and operated the Company-Owned Outlets since 2001; and (v) Mark Perkinson, a manager of the Company-Owned Outlets who has over 20 years’ of management and training experience in restaurant operations (our “Training Supervisors”). Onsite Training programs will be developed and supervised by our Training Supervisors and executive team but may be provided by our employees who have experience in restaurant operations and training.

Operating Manual

The Table of Contents to our Operating Manual is attached hereto as Exhibit F. The total number of pages currently in the Operating Manual is 88.

Development Agreement

Our obligations regarding site selection assistance, training, computer hardware and software selections, and advertising for additional Restaurants developed under a Development Agreement will be governed by the form of single-unit franchise agreement you sign for each additional Restaurant. Under each single-unit franchise agreement you sign, we will approve the location of your Restaurant and

designate such location in each franchise agreement based on our then-current standards for sites and territories. You must complete the entire Initial Training and Onsite Training program for the first Restaurant in your Development Schedule. For additional Restaurants in your Development Schedule, we may waive or reduce some or all of the Initial Training and Onsite Training programs. Factors we will use to determine whether or not your full participation is required in Initial Training and Onsite Training for additional Restaurants will include: (i) your compliance with the Franchise Agreement for your first Restaurant; (ii) your operational competency and level of sales for your first Restaurant; and (iii) the Key Manager you intend to employ for additional Restaurants.

Delegation

We may delegate the performance of any or all of our obligations under the Franchise Agreement to an Area Representative, affiliate, agent, independent contractor, or other third party. As described in Item 1, if we appoint an Area Representative in the area that includes your Restaurant, the Area Representative will provide training, support, marketing, and other services to you on our behalf. The Area Representative will have the authority to exercise many of our rights and perform many of our obligations under the Franchise Agreement.

ITEM 12 – TERRITORY

Approved Location and Relocation

You will operate the Restaurant only from the Approved Location which will be identified on the Data Sheet of the Franchise Agreement. If you have secured a site for the Restaurant that we approve at the time you sign the Franchise Agreement, you will establish the Restaurant at the Approved Location.

You may not relocate your Restaurant without our permission, which we may grant or withhold in our sole and absolute discretion. We will consider the following factors in making our discretionary decision as to whether to approve a relocation request: (A) whether the location's rent is too high to make the location profitable; (B) whether the location meets our brand image and quality control requirements; (C) whether we believe the location's traffic patterns, traffic volume and demographics make it commercially viable; (D) whether the site and accessibility of the location are suitable; and, (E) any other location-specific factors that we may deem relevant to our decision. If your lease expires or terminates without your fault or if the site is condemned, destroyed or rendered unusable ("**Closing Event**"), we may grant permission for relocation of the Restaurant to a location and site meeting our requirements, policies and standards. Any relocation will be at your sole expense and the relocated Restaurant must be open and operating no later than six (6) months after the Closing Event. In addition, within ten days of vacating the Approved Location, you must make such reasonable modifications to the exterior and interior of the Restaurant (including signage, menu boards, job aids, product photos and the like) as we require to fully eliminate its identification and appearance as a Sticks Kebob Shop Restaurant. If you fail or refuse to fully de-identify the Restaurant to the extent and in the manner required by the Franchise Agreement, we may, at our option and in addition to other rights and remedies we may have, make the modifications that are contemplated by the Franchise Agreement on your behalf and you agree to promptly pay and reimburse us on demand for any costs incurred by us including, without limitation, the proportionate compensation of our employees who devote time and render services in the de-identification of the Restaurant.

Territory

You will operate your Restaurant at the Approved Location within the "**Territory**" that is identified in the Data Sheet. Your Territory will typically be a 1-to-3-mile radius around your Restaurant, unless your Restaurant is located in a major metropolitan downtown area or similarly situated/populated central business district ("**Central Business District**"). If your Restaurant is located in a Central Business District,

your Territory may be limited to a geographic area comprised of anywhere from a radius of approximately two blocks to 1 mile around your Restaurant, as we deem appropriate in our discretion. The size of your Territory may vary from the territory granted to other franchisees based on the location and demographics surrounding your Restaurant.

The boundaries of your Territory may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map. The sources we use to determine the population within your Territory will be publicly available population information (such as data published by the U.S. Census Bureau or other governmental agencies and commercial sources). You may not solicit customers and/or advertise outside your Territory or deliver any products or services to any destination outside your Territory without our prior written consent.

Except as otherwise provided in and during the term of the Franchise Agreement, for so long as you comply with the terms and conditions of the Franchise Agreement, we will not establish and operate, nor license any party other than you to establish and operate, any Restaurant under the System and the Proprietary Marks within your Territory. Your territory is not dependent upon meeting a certain sales quota or the opening of additional Restaurants. The boundaries of your Territory will not change, even if the population within your Territory increases or decreases, during the initial term of your Franchise Agreement.

Because we reserve the right to open Restaurants at Non-Traditional Sites (as defined below) which may be located within the physical boundaries of your Territory, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Development Agreement

If you enter into a Development Agreement, you will obtain the right to own and operate a certain number of Restaurants in the Development Area where you must open each Restaurant in compliance with the Development Schedule. The size of the Development Area will depend upon the number of Restaurants you are obligated to open but will vary based on demographics and whether the Development Area is primarily urban or suburban. Provided you comply with the terms of the Development Agreement, and any Franchise Agreements signed for Restaurants within the Development Area, we will not locate another Restaurant operating under the Proprietary Marks, whether franchised or company-owned, in your Development Area. We will review and approve the location for each restaurant within the Development Area based on our then-current standards for sites.

You must comply with your development obligations in the Development Schedule in order to maintain your Development Area exclusivity. In the event that you fail to meet your development obligations and the Development Agreement is terminated, you will retain your rights to any previously owned Restaurants, including the territorial rights described in the Franchise Agreement for such Restaurants, provided that the Development Agreement was not terminated as a result of your failure to comply with the terms of your existing Franchise Agreement(s). Your rights to any Restaurants for which there is no Franchise Agreement and your exclusivity in the Development Area will terminate immediately upon termination of the Development Agreement. Thereafter, we will have the right to develop the Development Area on our own or through third parties.

Because we reserve the right to open Restaurants at Non-Traditional Sites (as defined below), you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Reservation of Rights under the Franchise Agreement and Development Agreement

We and our affiliates will have the right, in our sole discretion, under the Franchise Agreement and Development Agreement to: (i) own and operate Restaurants at any location(s) outside your Territory/Development Area under the same or different marks, or to license others the right to own and operate Restaurants at any location(s) outside your Territory/Development Area under the same or different marks; (ii) use the Proprietary Marks and System in connection with services and products, promotional and marketing efforts or related items, or in alternative channels of distribution, including grocery stores, fine dining restaurants, retail stores, foodservice wholesalers, catering businesses (including, without limitation, catering businesses established by us) and via the Internet at any location, including within the Territory/Development Area; (iii) own and operate Restaurants in “Non-Traditional Sites” including, but not limited to, sports and entertainment stadiums, arenas, entertainment complexes, malls and other shopping outlets, food courts, military bases, airports and train stations both within or outside your Territory/Development Area; (iv) own and operate restaurants or businesses, or market similar products and services, at any location(s) inside your Territory/Development Area under different marks, or to license others the right to own and operate restaurants or businesses, or market similar products and services at any location(s) inside your Territory/Development Area under different marks; (v) acquire, or be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere; and (vi) engage and license other parties to engage in any other activities not expressly prohibited by the Franchise Agreement/Development Agreement.

The Franchise Agreement and Development Agreement do not grant you any options, rights of first refusal, or similar rights to acquire additional franchises within the Territory/Development Area granted or any contiguous territories. Any dispute as to whether a particular site is a Non-Traditional Site will be determined by us, and our determination will be final and binding. We have the exclusive right to negotiate and enter into agreements or approve forms of agreements to operate Restaurants at Non-Traditional Sites, either directly or through our affiliates, licensees, or designees, and you will not be entitled to any compensation as a result of our operation of Restaurants at Non-Traditional Sites.

Alternative Channels of Distribution

Certain products or services from us or our affiliates, whether currently existing, in research and development, or developed in the future, may be distributed in your Territory by us or our affiliates, or our franchisees, licensees or designees, in such manner and through certain channels of distribution as we determine, in our sole discretion. Alternate channels of distribution include, but are not limited to, sale of products on the Internet or through supermarkets, grocery stores, other retail outlets, mail order catalogs, direct mail advertising, or other distribution methods, without regard to location. The Franchise Agreement grants you no rights to: (i) distribute the products as described above; or (ii) share in any of the proceeds from our activities through alternative channels of distribution.

We have entered into a fulfillment agreement with a third-party service provider for the preparation of “Sticks Kebob Shop” branded menu items and products that are available for order on third-party delivery applications such as “Uber Eats”, “Doordash”, and “GrubHub”. Our agreement is an exclusive agreement with the third-party service provider, and we do not intend to enter into any other such arrangements with other service providers. The terms of our agreement permit us to terminate fulfillment through the third-party service provider in any territory in which a Restaurant location provides delivery services through third-party delivery applications. Restaurant owners will not compete with these fulfillment centers once their Restaurant locations are open and operational.

ITEM 13 – TRADEMARKS

We grant you the right to operate a business specializing in the operation of a fast-casual Sticks Kebob Shop® restaurant featuring freshly prepared Mediterranean-inspired wraps, salads, and entrée Sticks Franchising, LLC

platters all prepared with proprietary and chef created marinades and sauces, and other food products, side dishes, non-alcoholic beverages for on-premises and off-premises consumption and craft beer and wine (in states where permitted) for on premise consumption under the Sticks Kebob Shop® name and mark. The principal trademark which we will license to you is the word trademark “STICKS KEBOB SHOP”.

All of the Proprietary Marks are owned by Sticks Management, LLC and licensed to us under a License Agreement dated as of November 1, 2021 (the “License Agreement”). Under the license agreement, we have the non-exclusive worldwide right to use the Proprietary Marks and license others the right to use the Proprietary Marks in the United States. The License Agreement does not contain any significant limitation on our right to use or license the Proprietary Marks to you, is perpetual in duration, and may be terminated unilaterally by either party only upon a material breach of the License Agreement. Upon termination of the License Agreement, we must immediately discontinue the use of the Proprietary Marks and assign to Sticks Management all of our franchise agreements licensing the use of the Proprietary Marks, and Sticks Management has agreed to assume all obligations under such agreements arising from and after their assignment.

The following is a description of trademarks that we license to Restaurants, and for which we have a registration on the Principal Register of the United States Patent and Trademark Office (“USPTO”), and we have filed all required affidavits with respect to each of these trademarks:

Mark	Serial Number	Registration Date
STICKS KEBOB SHOP	85,232,085	August 30, 2011
STICKS KEBOB SHOP	88,323,826	September 24, 2019
	76,355,089	December 23, 2003

We also license the following logo mark to Restaurants and Sticks Management intends to apply for registration of this mark on the Principal Register of the USPTO in the future. At this time, no application has been filed for this mark, and no “intent to use” application is currently pending before the USPTO.



This logo will be the primary mark used to identify your Restaurant. At this time, we do not have a registration for this trademark. Therefore, this trademark does not have many of the legal benefits and rights as a federally-registered trademark. If your right to use this trademark is challenged, you may have to change to an alternative trademark which will increase your expenses. We are not aware of any superior

prior rights or infringing uses of this trademark that could materially affect a franchisee's use of the principal trademark.

There are currently no effective determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court; no pending interference, opposition or cancellation proceedings; nor any pending material litigation involving the Proprietary Marks.

You must promptly notify us of any suspected unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, our right to use and to license others to use, or your right to use, the Proprietary Marks. We have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including the right to settle the proceedings or litigation. We have the exclusive right, but not the obligation, to affirmatively prosecute actions against third parties for infringement or threatened infringement of the Proprietary Marks.

We have the right, though not the obligation, to defend you against any third-party claim, suit, or demand arising solely out of your use of the Proprietary Marks in a manner expressly authorized by us. If we, in our sole discretion, determine that you have used the Proprietary Marks in accordance with the Franchise Agreement and the Operating Manual, we will pay the cost of defending the action, including the cost of any judgment or settlement. If we, in our sole discretion, determine that you have not used the Proprietary Marks in accordance with the Franchise Agreement and the Operating Manual, you will be required to pay for the defense or to reimburse us for costs we incurred in providing the defense, including the cost of any judgment or settlement. In the event of any litigation relating to your use of the Proprietary Marks, you are required to sign all documents and assist us, as we deem necessary, to carry out the defense or prosecution including, without limitation, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Proprietary Marks in a manner not in accordance with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs in performing such acts.

Sticks Management is the lawful and sole owner of the domain name(s) www.SticksKebobShop.com. You cannot register any of the Proprietary Marks owned by us or any abbreviation, acronym or variation of the Proprietary Marks, or any other name that could be deemed confusingly similar, as Internet domain names. We retain the sole right to advertise the System on the Internet and to create, operate, maintain and modify, or discontinue using of a website using the Proprietary Marks. You may access our website. Except as we may authorize in writing in advance, however, you cannot: (i) link or frame our website; (ii) conduct any business or offer to sell or advertise any products or services on the worldwide web; or (iii) create or register any Internet domain name in connection with your franchise.

You may use only the Proprietary Marks which we designate and may use them only in the manner we authorize and permit. Any goodwill associated with Proprietary Marks, including any goodwill which might be deemed to have arisen through your activities, inures directly and exclusively to our benefit. You may use the Proprietary Marks only for the operation of the Restaurant and only at the Approved Location or in advertising for the Restaurant. You will use all Proprietary Marks without prefix or suffix and in conjunction with the symbols "SM," "TM," "S" or "R," as applicable. You may not use the Proprietary Marks in connection with the offer or sale of any services or products which we have not authorized for use in connection with the System. You may not use the Proprietary Marks as part of your corporate or other legal name. We must approve your corporate name and all fictitious names under which you propose to do business in writing before use. You must use your corporate or limited liability company name either alone or followed by the initials "D/B/A" and the business name "Sticks Kebob Shop." You must promptly register at the office of the county in which your Restaurant is located,

or such other public office as provided for by the laws of the state in which your Restaurant is located, as doing business under such assumed business name.

All of your advertising must prominently display the Proprietary Marks and must comply with our standards for using the Proprietary Marks. All such advertising is subject to our prior written approval, which we will not unreasonably withhold. We reserve the right to approve all signs, stationery, business cards, forms, and other materials and supplies bearing the Proprietary Marks. You may use the Proprietary Marks including, without limitation, trade dress, color combinations, designs, symbols, and slogans, only in the manner and to the extent specifically permitted by the Franchise Agreement or by our prior written consent. You must submit to us, and we must approve all advertising, publicity, signs, decorations, furnishings, equipment or other materials employing the Proprietary Marks, or related marks, before first publication or use. You must identify yourself as the owner of the Restaurant (in the manner we prescribe) in conjunction with any use of the Proprietary Marks including, without limitation, on invoices, order forms, receipts, and business stationery, as well as at such conspicuous locations as we may designate in writing at the Approved Location.

We reserve the right to substitute different proprietary marks for use in identifying the System and the businesses operating thereunder. You must discontinue using all Proprietary Marks which we have notified you, in writing, have been modified or discontinued within 10 days of receiving written notice and must promptly begin using such additional, modified or substituted Proprietary Marks at your expense.

ITEM 14 - PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any registered patents or copyrights which are material to the franchise, however, we claim common law copyright and trade secret protection for several aspects of the franchise System including our Operating Manual, advertising, and business materials. We do not have any pending patent applications that are material to the franchise.

There are no current determinations, proceedings or litigation involving any of our copyrighted materials. Should you become aware of any unauthorized third party using any of our copyrighted materials, we request that you notify us of such unauthorized use. We may revise our System and any of our copyrighted materials in our discretion and may require that you cease using any outdated copyrighted materials. You will be responsible for printing any revised or new advertising, marketing or other business materials.

During the term of the Franchise Agreement, you will receive information which we consider trade secrets and confidential information. You may not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any trade secrets, copyrighted materials, operating procedures, sources of supply, supplier contracts, advertising materials, equipment specifications, any information contained in the Operating Manual, trade secrets, the proprietary recipes, and other methods, techniques and know-how concerning the operation of the Restaurant, and any and all other information related to your Restaurants or any Restaurant generally that is labeled proprietary or confidential ("Confidential Information"). You acknowledge and agree that certain information, including (i) current customer and prospective customer names and addresses, (ii) information about credit extensions to customers, (iii) customer service purchasing histories, (iv) rates charged to customers, and (v) sources of suppliers and purchasing arrangements with suppliers, also constitute the trade secrets and Confidential Information of us. You may divulge such Confidential Information only to your employees who must have access to it in order to perform their employment obligations. You must require your manager and any personnel having access to any of our Confidential Information to sign an agreement stating that they will maintain the confidentiality of information they receive in connection with their employment and restricting their right

to work for a competitor while they are employed by you. Such agreement, which will be in a form that we prescribe, will identify us as a third-party beneficiary to the agreement and will give us independent enforcement rights.

The Franchise Agreement provides that if you, your employees, or principals develop any new concept, process or improvement in the operation or promotion of the Restaurant, you will promptly notify us and provide us with all necessary related information, without compensation. Any such concept, process or improvement will become our sole property and we will be the sole owner of all patents, patent applications, trademarks, copyrights and other intellectual property rights related to such new concepts. You and your principals will assign to us any rights you may have or acquire in new concepts you or your employees develop, including the right to modify such concept, process or improvement, and otherwise will waive and/or release all rights of restraint and moral rights to any new concepts you or your employees develop. You and your principals agree to assist us in obtaining and enforcing the intellectual property rights to any such concept, process or improvement in any and all countries and further agree to execute and provide us with all necessary documentation for obtaining and enforcing such rights. You and your principals will irrevocably designate and appoint us as your agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any such concept, process or improvement. In the event that such provisions of the Franchise Agreement are found to be invalid or otherwise unenforceable, you and your principals will grant to us a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the concept, process or improvement to the extent such use or sublicense would, absent the Franchise Agreement, directly or indirectly infringe on your rights to the new concepts.

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

At all times that your Restaurant is open for business, it must be under the personal, on-premises supervision of either you, your Controlling Person, your Key Manager, or a trained attendant. Your Key Manager or other trained manager must be available at all times the Restaurant is open for business. You, your Controlling Person, and your Key Manager must successfully complete our training program and any other training programs that we may require. You may not permit your Restaurant to be operated, managed, directed, or controlled by any other person without our prior written consent. We do not require that the Franchisee or its Controlling Person must be full-time employees of the Restaurant, the franchisee, or the Approved Entity.

We require that you (or the Controlling Person if you are an entity) are obligated to actively, personally, and frequently monitor and supervise the performance and operation of each Restaurant. Your Controlling Person must have at least a 10% ownership interest in your Approved Entity and must have authority over all business decisions related to your Restaurant and must have the power to bind you in all dealings with us. In addition, you must appoint a Key Manager to manage the day-to-day business of your Restaurant, who may also be the Controlling Person. The Key Manager is not required to have an ownership interest in your Approved Entity. You must provide us with written notice of your Controlling Person and Key Manager at least 60 days prior to opening and may not change your Controlling Person and Key Manager without our prior approval.

In the event that your Key Manager resigns or is otherwise terminated, you must hire a replacement approved by us in writing who meets our then current standards for Key Managers and who is approved by us in writing before hiring, within 30 days after the resignation or termination of the former Key Manager. You must train the new Key Manager within 30 days of hiring. Your Key Manager and certain key employees and their spouses will be bound by the confidentiality and non-compete covenants of the Franchise Agreement and will execute the Confidentiality and Restrictive Covenant Agreement attached as Exhibit H to this Disclosure Document.

Each person or entity owning any percent of the equity or ownership interest in the franchisee or any approved entity relating to the franchise must personally and individually guarantee the franchisee's performance of its obligations to us. Each such person will be jointly and severally financially responsible for the monetary obligations of the franchisee entity.

All employees you hire or employ at your Restaurant will be your employees and your employees alone, and will not, for any purpose, be deemed to be our employees or subject to our direct or indirect control, most particularly with respect to any mandated or other insurance coverage, taxes or contributions, or requirements regarding withholdings, levied or fixed by any governmental authority. You will file your own tax, regulatory and payroll reports, and be responsible for all employee benefits and workers compensation insurance payments for your employees and operations. We will not have the power to hire or fire your employees. Our authority under the Franchise Agreement to train and approve your supervisory or managerial personnel for qualification to perform certain functions at your Restaurant does not directly or indirectly vest us with the power to hire, fire or control any of your personnel. You and you alone will be solely responsible for all hiring and employment decisions and functions relating to the Restaurant, including those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision and discipline of employees, regardless of whether you have received advice from us on these subjects or not. Any guidance we may give you regarding employment policies should be considered merely examples. You will be responsible for establishing and implementing your own employment policies and should do so in consultation with local legal counsel experienced in employment law.

ITEM 16 - RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You agree that you will not offer for sale or sell at the Restaurant any products or services except those authorized by us in writing.

You agree that you will offer for sale and sell at the Restaurant for final consumption and not for resale, all authorized food and beverage products that we from time to time authorize; provided, however, you may offer for resale any authorized products for certain programs which may be approved by us in our sole and absolute discretion, considering factors including but not limited to: (i) quality control or assurance; (ii) brand image; and, (iii) such other factors as we determine. There is no limit on our right to change the types of authorized goods and services during the term of your Franchise Agreement.

All food ingredients, beverage products, cooking materials, containers, packaging materials, other paper and plastic products, utensils, uniforms, menus, forms, cleaning and sanitation materials and other supplies and materials used in the operation of the Restaurant must conform to the specifications and quality standards established by us from time to time. You must use in the operation of the Restaurant boxes, cups, containers and other paper or plastic products imprinted with the Proprietary Marks as prescribed from time to time by us. We may in our sole and absolute discretion require that ingredients, supplies and materials used in the preparation, service or packaging of authorized food products be purchased exclusively from us, our affiliates or from approved suppliers or distributors. Any ingredient, supply or material not previously approved by us as conforming to our specifications and quality standards must be submitted for examination and/or testing prior to use. We reserve the right from time to time to examine the facilities of any approved supplier or distributor, and to conduct reasonable testing and inspection of the ingredients, materials or supplies to determine whether they meet our standards and specifications. We also reserve the right to charge fees for testing and evaluating proposed suppliers or distributors and examining and inspecting operations and to impose reasonable limitations on the number of approved suppliers or distributors of any product. Approval of a supplier or distributor may be withheld or conditioned on requirements relating to frequency of delivery, standards of service including prompt attention to complaints and the ability to service and supply Restaurants within areas designated by us.

We may change the components of the System (and the requirements of the System), including, for example, changing the food products, beverages, programs, methods, standards, forms, policies, procedures, and services of the System, and adding to, deleting from or modifying the programs, services and products which we authorize or require you to conduct or offer. You must comply with any of these modifications, additions, deletions, substitutions and alterations. However, the changes will not materially and unreasonably increase your obligations under the Franchise Agreement.

We may, on occasion, require you to test market products and/or services at your Restaurant. You must cooperate with us in conducting these test marketing programs and must comply with all rules and regulations established by us.

No vending, gaming machines, payphones, automatic teller machines, Internet kiosks or other mechanical or electrical devices are permitted in your Restaurant without our prior written consent.

ITEM 17 - RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION THE FRANCHISE RELATIONSHIP

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

Provision	Section of Franchise Agreement ("FA") or Development Agreement ("DA")	Summary
a. Length of the franchise term.	FA ¶ 2.2 DA ¶ 3	Ten years commencing from the date the Franchise Agreement is signed and approved by us. (FA) Two to twenty years for development rights depending on the agreement and the number of Restaurants you have agreed to open. (DA)
b. Renewal or extension of the term.	FA ¶ 3 DA ¶ 3	You have the option to renew the franchise agreement for one additional ten-year term provided that you are not in violation of your agreement and other contractual requirements are met. At least five months prior to renewal, you must pay a renewal fee equal to ten percent (10%) of our then-current franchise fee. You must be able to retain possession of the Restaurant or to obtain an alternative site acceptable to us. You must refurbish the site as provided in Paragraphs 8 and 14 of the franchise agreement or, at our option, relocate the Restaurant to a site agreeable to and approved by us. You will be offered our then-current franchise agreement applicable at the time of renewal to sign, which may be materially different from the current form of franchise agreement. (FA). No express renewal provision; Renewal or extension occurs only by mutual written agreement. (DA)

Provision	Section of Franchise Agreement (“FA”) or Development Agreement (“DA”)	Summary
c. Requirements for franchisee to renew or extend	FA ¶ 3 DA - NA	Not be in material default on franchise, supplier or affiliate agreements; Pay a renewal fee; Maintain possession of Restaurant premises or secure suitable alternative, refurbish Restaurant or relocate to alternative suitable site; Execute then current standard Franchise Agreement, which may be materially different from the current form of franchise agreement . (FA) No express renewal requirements or right are provided for in the DA; Restaurant franchise renewal requirements are those set forth in the FA. (DA).
d. Termination by Franchisee	FA ¶ 17.1 DA ¶ 9.1	If you are in compliance with your FA and we materially breach this Agreement and fail to cure any breach within thirty (30) days after written notice is delivered to us, you may terminate your FA and the franchise effective ten (10) days after delivery of notice to us. (Subject to state law) (FA) No unilateral franchisee termination right is provided by the DA; The franchisee retains common law rights to terminate for material breach by us; Restaurant franchise termination rights are those set forth in the FA. The DA permits termination by mutual agreement. (Subject to state law) (DA).
e. Termination by Franchisor Without Cause	FA ¶ 17 DA ¶ 9	Neither the FA nor the DA permits either party to terminate the agreement without cause
f. Termination by Franchisor with Cause	FA ¶ 17.2, 17.3, DA ¶ 9.2	Both the FA and the DA permit the Franchisor to terminate the agreements for cause during their terms and before expiration. Termination of the DA does not permit us to terminate the FA: however, termination of an FA does permit us to terminate the DA.
g. “Cause” Defined: Curable Defaults	FA ¶ 17.3	The FA permits the franchisee an opportunity to cure the following defaults before a termination notice is effective: Failure to obtain or maintain the required insurance; Failure to comply with operating standards, trademarks usage requirements, safety, security or sanitation requirements, or product quality requirements; Failure to timely pay amounts due to us, our affiliates, creditors or suppliers of the Restaurant, or tax authorities; or,

Provision	Section of Franchise Agreement (“FA”) or Development Agreement (“DA”)	Summary
	DA ¶ 9	Failure to comply with any other provision of the FA or any specification, standard or operating procedure. (FA) The DA does not provide any opportunity to cure defaults thereunder. Franchise Agreements opened under the DA are subject to the same rights to cure set forth immediately above. Termination of the DA does not permit us to terminate the FA: however, termination of an FA does permit us to terminate the DA.
h. “Cause” Defined: Non-curable Defaults	FA ¶ 17.3	We may terminate the FA immediately upon written notice without providing you an opportunity to cure if any of the following conditions exist or events have transpired: (a) You or any of your owners have made any material misrepresentation on any record or report required by us under the FA, or on your application for the franchise, or in any other application submitted to us; (b) you do not lease or purchase an approved location for the operation of your Restaurant within six (6) months from the date of this Agreement. (c) You do not open the Restaurant within twelve (12) months from the date of the FA; (d) You are judged a bankrupt or file a bankruptcy petition, become cash flow or balance sheet insolvent, make an assignment for the benefit of creditors, are unable to pay your debts as they become due in the ordinary course of business, or a petition under any bankruptcy law is filed by or against you, or a receiver or custodian is appointed for a substantial part of the assets of the Restaurant; (e) You abandon or fail to continuously and actively operate the Restaurant, or, without our prior written consent, permit any person other than a qualified employee designated by you, whose identity has been disclosed to us, to operate the Restaurant in your absence; (f) The lease or sublease for the Restaurant is terminated or cancelled or you are unable to renew or extend the lease or sublease or you fail to maintain possession of the Restaurant premises unless you are permitted to relocate the Restaurant under section 6.2 of the FA; (g) You or any of your owners is convicted of a felony, or a crime which substantially impairs the goodwill associated with the Marks or you or any of your owners engages in any conduct which, in our judgment,

Provision	Section of Franchise Agreement ("FA") or Development Agreement ("DA")	Summary
		adversely affects the reputation of the Restaurant or the goodwill associated with the Marks or involves dishonesty, fraud, deceit, or misrepresentation; (h) You intentionally, recklessly, or with gross negligence under-report the royalty sales of the Restaurant for any period or periods; (i) You or any of your owners violates any of the restrictions contained in Articles 19 or 20 of the FA (which relate to restrictive covenants, ownership, confidential information and proprietary rights, and transfer and assignment restrictions). (i) You intentionally on one or more occasion during the term of this Agreement, violate any Child Labor Laws in connection with your operation of the Restaurant; (j) An audit by us discloses an understatement of royalty sales and you fail to pay to us the applicable royalty fee and advertising contribution and interest due within ten (10) days after receipt of the final audit report; (k) The interest of a deceased or permanently disabled person is not disposed of in accordance with the terms of your FA; (l) You or any of your owners fail on three (3) or more occasions during any twelve (12) month period to comply with any one or more provisions of your FA, including without limitation, your obligation to submit when due sales reports or financial statements, to pay when due the royalty fees, advertising contributions or other payments due to us or our affiliates or subsidiaries or any other creditors or suppliers of the Restaurant, whether or not such failure to comply is corrected after notice is delivered to you; (m) Any of your assets or items used in the operation of the Restaurant are seized or you are otherwise denied the use of the property or access to the Restaurant because of you failure to pay any taxing authority or any amount due a creditor of the Restaurant, or because of any other act or omission of you or any of your owners; or, you fail to notify us of tax levy or delinquency; or, (n) You fail to cease operating the Restaurant or fail to correct the conditions in the Restaurant causing a present threat of imminent danger to public health or safety, after notice to you as provided in Section 17.4 of your FA.

Provision	Section of Franchise Agreement (“FA”) or Development Agreement (“DA”)	Summary
	DA ¶ 9.2	We may terminate the DA immediately upon written notice without providing you an opportunity to cure if any of the following conditions exist or events have transpired: (a) You fail to meet the Development Requirements set forth in Section 4 of your DA; (b) You or your owners fail to comply with any other provision of your DA; (c) You or your owners fail to comply with any Development Agreement or Franchise Agreement or any such agreement with any entity that you or your Controlling Person directly or indirectly owns in whole or in part, is terminated by us in accordance with its terms; (d) You and your owners fail to maintain the capacity and necessary skills and experience to meet the Development Requirements and timely develop and operate the Restaurants required to be opened and operated under this Agreement based upon criteria established by us from time to time; or, (e) The Controlling Person of the Developer under your DA is not at any time the Controlling Person of all approved entities operating Restaurants in the Development Area, unless a sale or transfer has been made with our express written consent. (f) Termination of the DA does not permit us to terminate the FA: however, termination of an FA does permit us to terminate the DA.
i. Franchisee’s Obligations on Termination/ Non-renewal	FA ¶ 17.5	After termination, expiration or nonrenewal under the FA, you must: (a) Immediately return to us all copies of the Operating Manual; (b) Cancel all assumed name or fictitious name registrations relating to the use of any Mark; (c) Cancel and transfer to us or our designee all telephone numbers, post office boxes and directory listings relating to any Mark or to your Restaurant; (d) Immediately pay all royalty fees, advertising contributions and other charges and fees due and owing under your FA;

Provision	Section of Franchise Agreement (“FA”) or Development Agreement (“DA”)	Summary
	FA ¶ 18.7 FA ¶ 18 FA ¶ 19.2 FA ¶ 19.5 DA ¶ 10	(e) Immediately cease identifying yourself as a Sticks Kebob Shop Restaurant or as being associated with the Sticks Kebob Shop system; (f) If you retain possession of the Restaurant premises, at your expense, modify the exterior and interior of the Restaurant to fully eliminate its identification and appearance as a Sticks Kebob Shop Restaurant. And, (g) Make the Restaurant accessible and available for us to operate pursuant to ¶ 18.7 of your FA if we elect to do so. Also upon termination, expiration, or nonrenewal, you must make the Restaurant and (if you own or control it) the land on which it located available to us to purchase the Restaurant and purchase or lease the land at our option pursuant to the purchase and lease terms set forth in ¶ 18 of your FA, and to permit us to operate the Restaurant during the option period if we elect to do so. For a period of two (2) years after the termination, expiration, or nonrenewal, of the FA, you agree not to open or operate a “Competitive Business” (as defined in ¶ 19.2 of the FA) within ten miles of the premises of any of your Restaurants and within five miles of any other Sticks Kebob Shop Restaurants in any state in which you operated a Sticks Kebob Shop Restaurant. Your obligations not to disclose or use for other purposes our trade secrets, confidential business information, or other proprietary materials remains in effect upon and after the termination, expiration or nonrenewal of the FA. Other than maintaining the confidentiality of our confidential information and trade secrets before and after termination, expiration or nonrenewal, the DA does not impose any separate or additional obligations upon termination, expiration or nonrenewal other than those set forth above relating to the FA.
j. Assignment of Contract by Franchisor	FA ¶ 20.1	We may assign the FA without limitation and the assignee or other legal successor to our interests will be entitled to all of the benefits of the FA. However, no assignment will be made except to an assignee who in our good faith business judgment is willing and financially able to assume the franchisor’s obligations under the agreement.

Provision	Section of Franchise Agreement (“FA”) or Development Agreement (“DA”)	Summary
	DA ¶ 13	We may assign the DA without limitation and the assignee or other legal successor to our interests will be entitled to all of the benefits of the DA.
k. “Transfer” by Franchisee - Defined	FA ¶ 20.2 DA ¶ 12	The FA defines transfers by the franchisee to include any assignment or transfer of the FA, any interest in the FA, any sale of transfer of any interest in an Approved Entity not specifically authorized in the FA, or a transfer of the Restaurant or its assets. The DA defines transfers by the franchisee to include assigning, transferring or encumbering the DA or the development rights provided therein, including the sale, assignment or transfer of the interests of any owner owning more than 19.9% of the equity or ownership interest in an Approved Entity.
l. Franchisor Approval of Transfer by Franchisee	FA ¶ 20.3	The FA may be assigned to an Approved Entity provided that: (a) operation of Restaurants is the only business of the Approved Entity; (b) the Approved Entity is actively managed by you; (c) the Controlling Person own and controls not less than 40% and the largest share of the equity or partnership interest in the Controlling Person; (d) all owners of greater than a 19.9 percent equity interest in the Approved Entity meet our future, then-current franchisee approval requirements, guarantee the obligations of the Approved Entity, and agree to be bound by the terms of the FA; (e) The Approved Entity’s stock certificates and organizational documents state that they are subject to the restrictions set forth in the FA; (f) The owners of the Approved Entity enter into a buy/sell Agreement acceptable to us; and, (g) All documents to be executed in connection with the transfer or assignment are provided to and approved by us.
m. Conditions for Franchisor Approval of Transfer	FA ¶ 20.4	<u>Assignment or Transfer to Others</u> We will permit sales, transfers or assignments of your FA or, if you are an Approved Entity, of an ownership interest in the Approved Entity to others provided:

Provision	Section of Franchise Agreement (“FA”) or Development Agreement (“DA”)	Summary
		(a) You (and your owners) are not in default under your FA or any other agreement with us or our subsidiaries or affiliates or any other creditor or supplier of the Restaurant; (b) The proposed transferee or assignee (and its Controlling Person and all other owners if it is an Approved Entity) meets our then-applicable standards for franchisees or owners; (c) The proposed transferee or assignee (and its owners) is not engaged in any other Competitive Business activity without our prior written consent, except other Restaurants; (d) The proposed transferee or assignee (and its owners if it is an Approved Entity) must sign our then-current form of standard Franchise Agreement for a term equal to the remaining term of your FA or, at our election, the then-current term if longer; (e) The proposed transferee or assignee (or the person designated by us) must complete all required training to the extent required by us; (f) At our request, the proposed transferee or assignee refurbishes the Restaurant in the manner and subject to the provisions prescribed in Articles 8 and 14 of the FA; (g) The proposed transferee or assignee pays us a transfer fee equal to the <u>greater</u> of: (A) \$5,000.00, or (B) ten percent of the future, then-applicable single Restaurant initial franchise fee; and, (h) Your FA is terminated according to the terms of our then-customary form of mutual termination agreement. You must provide us with all documents to be executed by you and/or your owners and the proposed purchasers in connection with any transfer or assignment at least thirty (30) days prior to signing. <u>Death or Permanent Disability</u> Upon your death or permanent disability or the death or permanent disability of the Controlling Person, your FA or the ownership interest of such deceased or permanently disabled Controlling Person must be transferred to a party approved by us. Any transfer, including, without limitation, transfers by devise or inheritance or trust provisions, shall be subject to the same conditions for transfers which are contained in ¶ 20.4

Provision	Section of Franchise Agreement (“FA”) or Development Agreement (“DA”)	Summary
r. Non-Competition Covenants After the Franchise is Terminated or Expired	FA ¶ 19.2	For two (2) years after termination or expiration of your FA, you will not own or be engaged in any Competitive Business within ten (10) miles of the location of your Restaurant or within ten (10) miles of any Sticks Kebob Shop Restaurant in operation or under development at the time of termination or expiration of this Agreement, or the date on which you cease to operate the Restaurant or use the Marks, whichever is later, excluding ownership of less than ten percent of the stock of shares in any corporation whose stock is publicly traded. (Subject to state law)
s. Modification of Agreement	FA ¶¶ 21.1, 21.5	This FA may be amended or modified only through a signed writing and constitutes the complete agreement between the parties hereto, superseding any prior or contemporaneous oral agreements or understandings of the parties relating to the Restaurant at issue. We cannot waive any rights or claims under the FA except through a writing signed by a duly authorized officer. No modification, waiver, termination, etc. of the FA shall release any claim of any party hereto based on facts or events that occurred prior to the modification, waiver, termination, etc. Nothing in the FA, the DA, or any related agreement is intended to disclaim any representation made in this Disclosure Document.
t. Integration/merger clause	FA ¶21.5	This Agreement constitutes the entire agreement between the parties and supersedes all prior and contemporaneous oral or written agreements or understandings of the parties regarding the subject matter of this Agreement for the Restaurant at issue. Nothing contained in this Agreement or in any related agreement is intended to disclaim any representation made by us in this Franchise Disclosure Document. Only the terms of the franchise agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.

Provision	Section of Franchise Agreement (“FA”) or Development Agreement (“DA”)	Summary
u. Dispute Resolution by Arbitration or Mediation	FA ¶ 21.6 DA ¶ 16	The FA and the DA each require disputes to be submitted first to mediation in Virginia and then to binding arbitration in Virginia. There is an exception permitting claims for temporary or preliminary injunctive relief to be asserted in state or federal courts in Charlottesville, Virginia to prevent irreparable harm pending arbitration. The arbitrator has no authority to award punitive damages. These provisions are subject to state law.
v. Choice of Forum	FA ¶ 21.6 DA ¶ 16	Any mediation, arbitration or litigation must be held and conducted in Charlottesville, Virginia or federal courts over Charlottesville, Virginia. These provisions are subject to state law.
w. Choice of Law	FA ¶ 21.6 DA ¶ 16	The FA, the DA, and the parties’ relationship, and all disputes arising from or relating to them are governed by Virginia law, excluding the Virginia Franchise Act except with respect to Restaurants which are physically located in Virginia. These provisions are subject to state law.

ITEM 18 - PUBLIC FIGURES

We do not currently use any public figures to promote the sale of our franchises, but we reserve the right to do so in the future.

ITEM 19 - FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned 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.

This financial performance representation is based upon the historic operating revenues and certain expenses of the three (3) **"Company-Owned Outlet(s)"** that operated in Virginia for the entirety of the **"Measuring Period"**, which covers the period from January 1, 2019, to December 31, 2021. We obtained these historical financial results from the profit and loss reports submitted by the Company-Owned Outlets. A location's continuous operation throughout the Measuring Period and submission of complete profit and loss data are the only criteria that was used to select the financial performance information that is included in Item 19. There are no other outlets operated by us or our affiliates, and there are no Sticks Kebob Shops restaurants operated by franchisees as of the issuance date of this Disclosure Document. Neither we nor a certified public accountant have independently audited or verified the information.

In this Item 19 we disclose the historic Gross Revenues and certain operating expenses for the Company-Owned Outlets during the Measuring Period, categorized annually based upon year of operation. For data labeled as "2021" the portion of the Measuring Period included in the 2021 data covers January 1, 2021, to December 31, 2021. Except as discussed in the notes below, the Company-Owned Outlets all operate in a substantially similar manner to how your Franchised Business will operate.

The explanatory notes included with the following charts are an integral part of this financial performance representation and should be read in their entirety for a full understanding of the information contained in the following charts.

Gross Revenues and Certain Operating Expenses for the Company-Owned Outlets

Company-Owned Outlet #1			
Item	2019	2020	2021
Gross Revenue	\$1,355,487	\$1,008,412	\$1,094,381
COGS	\$(445,670)	\$(320,126)	\$(339,315)
Labor cost	\$(356,987)	\$(312,569)	\$(293,655)
Occupancy cost	\$(55,919)	\$(62,408)	\$(56,266)
Insurance	\$(10,697)	\$(8,886)	\$(6,839)
Other Operating Expenses	\$(230,279)	\$(221,321)	\$(187,827)
Royalty	\$(81,329)	\$(60,505)	\$(65,663)
Marketing Fund Contribution	\$(20,332)	\$(15,126)	\$(16,416)
Technology Fee	\$(6,000)	\$(6,000)	\$(6,000)
EBITDA (If Franchised)	\$160,272	\$13,473	\$122,400

Company-Owned Outlet #2			
Item	2019	2020	2021
Gross Revenue	\$1,340,971	\$1,126,913	\$1,059,095
COGS	\$(439,689)	\$(344,573)	\$(321,891)
Labor cost	\$(360,418)	\$(320,410)	\$(298,683)
Occupancy cost	\$(92,674)	\$(80,312)	\$(80,667)
Insurance	\$(9,738)	\$(8,891)	\$(8,129)
Other Operating expenses	\$ (221,554)	\$(222,432)	\$(183,084)
Royalty	\$(80,458)	\$(67,615)	\$(63,546)
Marketing Fund Contribution	\$(20,115)	\$(16,904)	\$(15,886)
Technology Fee	\$(6,000)	\$(6,000)	\$(6,000)
EBITDA (If Franchised)	\$122,326	\$71,777	\$81,209

Company-Owned Outlet #3			
Item	2019	2020	2021
Gross Revenue	\$1,105,200	\$946,937	\$1,057,068
COGS	\$(327,762)	\$(258,954)	\$(309,306)
Labor cost	\$(320,283)	\$(300,420)	\$(306,715)
Occupancy cost	\$(84,785)	\$(86,032)	\$(87,416)
Insurance	\$(9,980)	\$(9,610)	\$(9,035)
Other Operating expenses	\$(231,424)	\$(216,467)	\$(220,895)
Royalty	\$(66,312)	\$(56,816)	\$(63,424)
Marketing Fund Contribution	\$(16,578)	\$(14,204)	\$(15,856)
Technology Fee	\$(6,000)	\$(6,000)	\$(6,000)
EBITDA (If Franchised)	\$54,075	\$10,433	\$38,421

Notes Regarding the Table Above:

1. “Gross Revenue” means all revenues derived from the sale of products and/or services to customers. Gross revenue does not include taxes which were collected and paid to applicable governmental authorities or revenue for which there was a valid corresponding refund paid to the customer.
2. “COGS” or “Costs of Goods Sold” includes the costs of product acquisition for the sale of food products and supplies used in the sale of products and performance of services to customers. COGS does not include labor costs attributable to product or service sales, which are included in the Labor Cost category.
3. “Labor Cost” means wages, and bonuses for employees of the outlet. Certain of the Company-Owned Outlets are owner-operated by an owner who worked day-to-day in the business. To the extent any of the outlets disclosed do not pay a salary to the owner-operator, the owner-operator’s pay is not reflected as a “Labor Expense” in this table but is instead reflected in the “EBITDA (If Franchised)” for that outlet. The Labor Cost figures disclosed above reflects the expenses as they were submitted to us by the Company-Owned Outlets. If you intend to hire a general manager to oversee the operations of your franchise outlet we estimate the average starting salary costs to be approximately \$55,000 to \$60,000 based on our owners’ experience in operating the Company-Owned

Outlets. The actual amount you may pay to a salaried general manager may vary significantly based upon prevailing wage rates, the labor market, cost-of-living factors, and various other factors relevant to the market in which you will operate your Restaurant.

4. "Occupancy Cost" means expenses paid in the form of Rent, CAM, and other expenses, Repairs and Maintenance, Janitorial, Property taxes, and trash collection. The facilities expenses for your Franchised Business may vary based upon the property size, location, amenities provided in your lease, prevailing costs of vendor services in your market, the building type and layout, and other factors.
5. "Insurance" means the expenses incurred for insurance policy premiums.
6. "Other Operating Expenses" means other expenses attributable to the operation of each outlet, including: payroll taxes, and payroll expenses, software fees, merchant fees and banking charges, business licenses & permits, office expenses, payroll services, dues & subscriptions, meals and entertainment, mileage, charitable contributions, postage and delivery, and other miscellaneous expenses.
7. "Royalty" means an amount equal to six percent (6%) of the Gross Revenues for each outlet. Although the Company-Owned Outlets do not pay use a Royalty, we have included the actual royalty rate that would have been paid by each Company-Owned Outlet if it were operating under our current form of Franchise Agreement.
8. "Marketing Fund Contribution" means an amount equal to one and one-half percent (1.5%) of the Gross Revenues for each outlet. Although the Company-Owned Outlets did not pay us a Marketing Fund Contribution during the Measuring period, we have included the actual marketing fund contribution amount that would have been paid by each Company-Owned Outlet if it were operating under our current form of Franchise Agreement.
9. "Technology Fee" means an amount equal to five-hundred dollars (\$500) per month for each month of operation during the Measuring Period. Although the Company-Owned Outlets did not pay us a Technology Fee during the Measuring period, we have included the actual Technology Fee amount that would have been paid by each Company-Owned Outlet if it were operating under our current form of Franchise Agreement.
10. "EBITDA (If Franchised)" means Gross Revenue minus COGS, Labor Cost, Occupancy Cost, Insurance, Other Operating Expenses, Royalty, Marketing Fund Contribution, and Technology Fee. "EBITDA (If Franchised)" does not include interest paid on debt, taxes, depreciation, or amortization expenses.

Notes Regarding the Company-Owned Outlets and Item 19 Generally:

1. The figures in the tables above use the historical information that the Company-Owned Outlets provided to us. You should be advised that no certified public accountant has audited these figures or expressed his or her opinion concerning their contents or form, nor have we sought to independently verify their accuracy. Upon your reasonable request, we will provide written substantiation for this financial performance representation.
2. As a result of the COVID-19 pandemic, each of the Company-Owned Outlets received certain amounts of state and federal assistance in the form of grants, loans, and forgivable loans. We have not included any of these amounts in our Gross Revenue item for any Company-Owned Outlet, nor have we excluded any expenses that were covered by portions of these assistance funds for items such as Rent, wages, utilities costs, or other expenses.
3. The actual performance of any outlet will depend on a number of factors specific to the location, including:
 - The impact of the COVID 19 pandemic and any related closures or stay at home orders;
 - Any applicable law and/or regulatory compliance expenses;
 - Rent, interest or other financing costs for land, buildings, equipment, and inventory;
 - Initial franchise fee and organization costs;
 - Economic and weather conditions of various geographic areas;
 - Competition from a variety of other businesses;

- Different acquisition, development, construction, and property costs;
- Cost of equipment;
- Occupancy expenses such as rent, utilities and property taxes;
- Labor costs, payroll taxes and laws concerning employees and employee benefits;
- Different traffic counts, accessibility, visibility, and parking;
- Different results from advertising;
- Outlets have been in business for different periods of time in their respective markets;
- Cost of product and supply costs;
- Franchise payments including royalties; and
- Workers' compensation and insurance coverage.

These and other expenses you incur will affect the net income and cash flow of the outlet. You should consider them and evaluate the impact on your operations.

4. The fast-casual and quick service restaurant industry, and the market for prepared food products is highly competitive and affected by, among other things, changes in geographic area, changes in preferences, local, regional, and national economic conditions, population trends, and traffic patterns. Additionally, acquiring a site is highly competitive with other businesses for suitable sites. The performance of your Restaurant will be affected by the region in which you operate, your competitors, and the success you have in marketing and managing your operations.
5. All of the Company-Owned Outlets operate in and around the Charlottesville and Richmond metropolitan areas, where the Sticks Kebob Shop brand has likely obtained more of a reputation and positive goodwill among the relevant target market (as compared to another region of the United States where there are no other Sticks Kebob Shop locations in operation).
6. This Item 19 does not reflect certain pre-opening costs and expenses over the Measuring Periods that you are likely to incur in connection with development of a new Restaurant. See Item 7 for details about pre-opening costs for your Restaurant.
7. You should consult other sources for financial information including your financial, business, and legal advisors in connection with the information provided to obtain additional information necessary for you to develop estimates of the sales, costs, expenses, earnings, and profits.
8. Written substantiation to support the information appearing in this financial performance representation is available to you upon reasonable request.

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

Other than the preceding financial performance representation, we do not make any financial performance representations. 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 Roy Jones: 513 H Stewart St., Charlottesville, VA 22902 (434) 373-0017 mail@stickskebobshop.com the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 - OUTLETS AND FRANCHISEE INFORMATION

TABLE 1
Systemwide Outlet Summary
For Fiscal Years 2019 to 2021

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
Company-Owned	2019	3	3	0
	2020	3	3	0
	2021	3	3	0
Total	2019	3	3	0
	2020	3	3	0
	2021	3	3	0

TABLE 2
Transfers of Outlets from Franchisees to New Owners (other than Franchisor)
For Fiscal Years 2019 to 2021

State	Year	Number of Transfers
Total	2019	0
	2020	0
	2021	0

TABLE 3
Status of Franchised Outlets
For Fiscal Years 2019 to 2021

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Total	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0

TABLE 4
Status of Company-Owned and Affiliate-Owned Outlets
For Fiscal Years 2019 to 2021

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Virginia	2019	3	0	0	0	0	3
	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3
Total	2019	3	0	0	0	0	3
	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3

TABLE 5
Projected Openings as of December 31, 2021
(for the calendar year 2022)

State	Franchise Agreements Signed But Outlets Not Yet Opened	Projected New Franchised Outlets In The Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Total	0	0	0

The contact information for our franchisees is attached as to this Disclosure Document as Exhibit G. A list of franchisees who have left the System or who have not communicated with us within the 10-week period immediately preceding the effective date of this Disclosure Document will also be attached to this Disclosure Document in Exhibit G once we have them. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the System.

There is presently no trademark specific franchisee organization associated with the System. No franchisees have signed provisions during our last three fiscal years restricting their ability to speak openly about their experience with us.

ITEM 21 - FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit E is our audited financial statements as of December 31, 2021. These financial statements have been prepared in accordance with generally accepted United States accounting principles. As we were formed in August of 2021 and began offering franchises in December 2021, we have not been in business for three years or more and cannot include all of the financial statements required by the FTC Rule for our last three fiscal years. Our fiscal year ends on December 31.

ITEM 22 – CONTRACTS

Exhibits C, D, H, and I of this Disclosure Document contain all contracts proposed for use or in use regarding the offer of our franchises, including the following agreements:

- Exhibit A – Franchise Agreement
- Exhibit B – Development Agreement
- Exhibit H – Form of Confidentiality and Noncompete Agreement
- Exhibit I – Form of General Release

ITEM 23 – RECEIPTS

Exhibit K of this Franchise Disclosure Document contains a detachable document, in duplicate, acknowledging receipt of this Franchise Disclosure Document by a prospective franchisee. You should sign both copies of the Receipt. You should retain one signed copy for your records and return the other signed copy to: Roy Jones: 513 H Stewart St., Charlottesville, VA 22902 (434) 373-0017

**EXHIBIT A
TO THE
FRANCHISE DISCLOSURE DOCUMENT**

Franchise Agreement

(Attached)



STICKS FRANCHISING, LLC

FRANCHISE AGREEMENT

DATED _____, 20__

Table of Contents

FRANCHISE DATA SHEET	1
1. INTRODUCTION.	2
2. GRANT AND TERM OF FRANCHISE.	3
3. RENEWAL OF FRANCHISE.	3
4. PROTECTED TERRITORY.	4
5. INITIAL FRANCHISE FEE, ROYALTY FEE, AND OTHER CHARGES.	6
6. RESTAURANT LOCATION.	8
7. RESTAURANT DEVELOPMENT.	9
8. RESTAURANT REFURBISHING.	10
9. TRAINING.	11
10. OPERATING ASSISTANCE.	12
11. RESTAURANT PRODUCTS.	13
12. ADVERTISING AND PROMOTION.	15
13. RECORDS AND REPORTS.	17
14. OPERATING REQUIREMENTS.	20
15. MARKS.	28
16. INSPECTIONS.	29
17. TERMINATION AND EXPIRATION.	29
18. OPTION TO PURCHASE RESTAURANT.	34
19. RESTRICTIVE COVENANTS.	37
20. ASSIGNMENT.	39
21. CONTRACT INTERPRETATION AND ENFORCEMENT.	43

Exhibit A – Covenant of Owners

Exhibit B – Rider to Lease

Exhibit C – EFT Authorization Form

Exhibit D – Confidentiality and Restrictive Covenant Agreement

Exhibit E – Conditional Assignment of Telephone Numbers and Domain Names

Exhibit F – Franchisee Questionnaire/Compliance Certification

STICKS FRANCHISING, LLC

Franchise Data Sheet

1. **Effective Date:** _____
2. **Franchisee(s):** _____
3. **Approved Entity:** _____
4. **Franchisee's State of Organization (if applicable):** _____
5. **Owners:** _____ %
_____ %
_____ %
_____ %
6. **Site Selection Area: (Section 2.1) (list of zip codes or map):**

7. **Approved Location (Section 2.1):** _____
8. **Protected Territory: (to be determined upon identification of Approved Location – Section 2.1) (list of zip codes or map)**

9. **Controlling Person:** _____
10. **Key Manager:** _____
11. **Franchise Fee: \$49,500**
12. **Franchisee's Address and Telephone:** _____

13. **Additional Terms: (if any):** _____

STICKS FRANCHISING, LLC

FRANCHISE AGREEMENT

This Franchise Agreement (this "Agreement") is being entered into between Sticks Franchising, LLC, a Virginia limited liability company ("we", "Sticks Kebob Shop" or "us" in this Agreement), and the person(s) or Approved Entity set forth on the Franchise Data Sheet ("you" or "Franchisee" in this Agreement). If you are a corporation, partnership, limited liability company or other entity approved by us to own a Sticks Kebob Shop Restaurant (the "Approved Entity"), the term "Owners" in this Agreement shall refer to your shareholders, partners, members or other interest holders. Unless otherwise approved by us, the term "Controlling Person" refers to the person who owns forty percent (40%) or more and the largest share of the general partnership interest of such partnership; the equity and voting power of all classes of the issued and outstanding capital stock of such corporation; the membership interests of such limited liability company or the voting and ownership interests of such other entity.

1. INTRODUCTION.

We are in the business of franchising retail outlets specializing in the preparation and sale in a fast casual atmosphere of freshly prepared Mediterranean-inspired wraps, salads, and entrée platters all prepared with proprietary and chef created marinades and sauces, and other food products, side dishes, non-alcoholic beverages for on-premises and off-premises consumption and craft beer and wine (in states where permitted) for on premise consumption under the Sticks Kebob Shop® name and mark. These outlets are known as "Sticks Kebob Shop" restaurants and conduct business under a uniform business format, with specially designed or selected equipment, computer hardware and software designated by us, and specifications for the preparation and sale of freshly prepared menu items and certain other authorized food and beverage products (the "Sticks Kebob Shop System"). We have obtained the license to use and the right to sublicense the use of certain valuable trademarks, service marks and commercial symbols in connection with the operation of Sticks Kebob Shop Restaurants including the mark "Sticks Kebob Shop" (the "Marks").

You have applied to us for a franchise to operate a Sticks Kebob Shop restaurant utilizing the Sticks Kebob Shop System and the Marks at the location identified in this Agreement. Your application has been approved by us in reliance upon all of the representations made in your application including those concerning your financial resources, your fast casual dining experience and other business interests and the manner in which the franchise will be owned and operated.

You acknowledge that you have read this Agreement and our Franchise Disclosure Document and have been given an opportunity to obtain clarification of any provision that you did not understand. You also understand and agree that the terms and conditions contained in this Agreement are necessary to maintain our high standards of quality and service and the uniformity of those standards at all Sticks Kebob Shop restaurants.

2. GRANT AND TERM OF FRANCHISE.

2.1. Grant.

Subject to the terms of this Agreement, we grant to you a franchise to operate a Sticks Kebob Shop restaurant (the "Restaurant") under the Sticks Kebob Shop System and a sublicense to use the Marks in the operation of the Restaurant within the area set forth on the Franchisee Data Sheet (the "Site Selection Area"). If no previously selected or approved site is specified herein, then your initial location must be submitted to us in writing and is subject to our approval or disapproval in our sole discretion, which shall be provided within thirty (30) days of your location proposal. Upon approval of your site, it will be set forth on the Franchisee Data Sheet as your "Approved Location", and we will designate your non-exclusive Protected Territory (defined below) using our then-current standards. Despite our right of approval or disapproval, we shall incur no duty or responsibility to Franchisee or its owners for assuring that any site which we approve is viable, beneficial, or profitable.

2.2. Term of Franchise.

The term of this Agreement, unless earlier terminated pursuant to the provisions hereof, shall be for a period of ten (10) years, commencing on the date we sign and accepts this Agreement (or if this Agreement is being signed in connection with a renewal or transfer of the franchise, commencing on the day following the expiration or termination of the previous franchise agreement, as the case may be).

3. RENEWAL OF FRANCHISE.

3.1. Option to Renew.

You may, at your option, renew the franchise for one additional ten (10) year term provided that:

- (a) you are not in material default of any provision of this Agreement or any other agreement with us or our subsidiaries or affiliates or any other creditor or supplier of the Restaurant and have substantially complied with the terms and conditions of these agreements during their terms;
- (b) at least five months prior to renewal, you pay a renewal fee equal to ten percent (10%) of our then current initial franchise fee for new restaurants;
- (c) you are able to maintain possession of the Restaurant premises or to secure and develop a suitable alternative site approved by us; and,
- (d) you refurbish the site as provided in Article 8 and 14 of this Agreement or, if we require, agree to relocate the premises of the Restaurant to a location approved by us and to develop the premises in accordance with our then current requirements. If we require you to relocate the premises of the Restaurant, you will be entitled to credit the costs of developing the

new premises toward any refurbishing obligations you may have under the franchise agreement executed in connection with such renewal.

This option to renew may not be exercised unless all of the preceding criteria exist. The option to renew is personal to you and may not be exercised by any other person or entity without our prior written consent.

3.2. Manner of Renewal.

In connection with a renewal of this Agreement, you must execute our then current form of restaurant franchise agreement and all other agreements customarily used by us in the renewal franchises. You understand that the renewal franchise agreement may provide for higher royalty fees and greater expenditures for advertising and promotion than are provided for in this Agreement and may contain other terms materially different from the terms of this Agreement. The Protected Territory (defined below) of the Restaurant will not be modified unless such modification is consistent with criteria then in effect for comparable market areas. You may also be entitled to renew the franchise at the end of the renewal term in accordance with the renewal provisions, if any, contained in the franchise agreement executed by you in connection with your renewal of the franchise.

3.3. Notification of Expiration.

Provided you are in compliance with this Agreement, including the provisions of Section 3.1, we will send all agreements relating to any renewal of the franchise for your review and execution approximately six (6) months prior to the expiration of this Agreement along with a notification of the expiration of this Agreement. Your failure to return these agreements to us within thirty (30) days of receipt will be deemed an election by you not to renew this Agreement. Our notice will also state what actions, if any, you must take to correct the deficiencies in your operation of the Restaurant or whether we will require you to relocate or refurbish the premises of the Restaurant as provided in Section 3.1 above. We also will specify the time period in which these deficiencies must be corrected or by which the refurbishing or relocation and development of the new premises must be completed, provided that, in the event that the then current term of your lease or any renewal lease does not expire concurrently with the expiration of this Agreement, we will not require you to complete a relocation of your Restaurant and development of the new premises until the expiration of the then current term of your lease or any renewal lease. If we require you to relocate the Restaurant, which we may do in our sole and absolute discretion, our notice will identify the reasons for requiring relocation. Any renewal of the franchise will be conditioned on your continued compliance with all the terms and conditions of this Agreement and all other agreements with us and our affiliates and subsidiaries and all other creditors and suppliers of the Restaurant up to the date of expiration.

4. **PROTECTED TERRITORY.**

4.1. Protected Territory.

Once you have selected and we have accepted an Approved Location, you will have no further rights within your Site Selection Area, provided that we will grant to you the non-exclusive

right to operate a Restaurant within the area set forth on the Franchisee Data Sheet (the "Protected Territory"). Except as provided in Section 4.2, we and our affiliates will not open, or license a third party to open, a Restaurant within your Protected Territory for so long as you remain compliant and current in all of your financial and other obligations under this Agreement.

4.2. Franchisor's Reservation of Rights.

We and our affiliates will have the right, in our sole discretion, under this Agreement to: (i) own and operate Restaurants at any location(s) outside your Protected Territory under the same or different marks, or to license others the right to own and operate Restaurants at any location(s) outside your Protected Territory under the same or different marks; (ii) use the Marks and Sticks Kebob Shop System in connection with services and products, promotional and marketing efforts or related items, or in alternative channels of distribution, including grocery Restaurants, fine dining restaurants, retail restaurants, foodservice wholesalers, catering businesses (including, without limitation, catering businesses established by us) and via the Internet at any location, including within the Protected Territory; (iv) own and operate restaurants or businesses, or market similar products and services, at any location(s) inside your Protected Territory under different marks, or to license others the right to own and operate restaurants or businesses, or market similar products and services at any location(s) inside your Protected Territory under different marks; (v) acquire, or be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere; and (vi) engage and license other parties to engage in any other activities not expressly prohibited by this Agreement.

You further understand, acknowledge and agree that we and our affiliates alone have the right, both within and outside of the Protected Territory, to offer and sell (directly, or through other franchisees or licensees) Restaurants, kiosks, mobile units, concessions or "shop in shops" at "Non-Traditional Sites" without any compensation or right of first refusal for you. "Non-Traditional Sites" include, but are not limited to, gas stations; transportation facilities, including airports, train stations, subways and rail and bus stations; military bases and government offices and facilities; sports facilities, including stadiums, arenas; theaters; reports; amusement parks, zoos and convention centers; car and truck rest stops and travel centers; educational facilities; recreational theme parks; hospitals and health care facilities; business or industrial foodservice venues; guest lodging facilities; day care facilities of any type; condominium and cooperative complexes; the premises of any third party retailer which is not a restaurant (including shops, stores and department stores); food retailers (including supermarkets, grocery stores and convenience stores); malls and mall food courts; schools and universities; venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider; Indian reservations; casinos; or any similar captive market or any other location to which access to the general public is restricted. You understand and acknowledge that if any Non-Traditional Site is located within the physical boundaries of your Protected Territory, then the premises of this Non-Traditional Site will not be included in your Protected Territory and you will have no rights to this Non-Traditional Site.

4.3. Non-Traditional Sites.

Notwithstanding the foregoing, you hereby understand, acknowledge and agree that in the event we permit you to operate a Restaurant at a Non-Traditional Site, which we are under no obligation to do, you will not receive any Protected Territory.

5. INITIAL FRANCHISE FEE, ROYALTY FEE, AND OTHER CHARGES.

5.1. Initial Franchise Fee.

Contemporaneous with the execution of this Agreement, and as a condition precedent to our obligations and duties under this Agreement, you, the Franchisee, will pay to us or our designee an initial franchise fee of as set forth on the Franchisee Data Sheet, which shall not be refundable under any circumstances (except as may be required by state statutes, regulations, or regulatory actions).

5.2. Royalty Amount and Payment.

During the term of the franchise, you agree to pay us a royalty fee (the “Royalty Fee”) of: (i) three percent (3%) of the weekly Gross Sales (defined below) during the first six (6) months of operations after opening your Restaurant; and (ii) the greater of six percent (6%) of the weekly Gross Sales of the Restaurant, or the Minimum Royalty, thereafter. The “Minimum Royalty” begins in your 7th month of operations and is equal to \$500 per week. The weekly Royalty Fee for the week ending on each Sunday will be paid by electronic funds transfer three days later, on Wednesday, by eight pm Eastern Standard Time pursuant to Section 5.5 below.

5.3. Definition of Gross Sales.

The term "Gross Sales" means the total receipts from all sales by the Restaurant of all food items, beverages and other products or services authorized for sale at the Restaurant or at any approved off-site location but exclusive of sales or equivalent taxes, coupon and similar discounts, and beverage container deposits approved by us. Premium or similar promotional items must be included in computing Gross Sales unless these items have been sold at or below cost by the Restaurant.

5.4. Technology Fee.

You must pay to us, or a third party that we designate, a technology fee for various technology services that we will provide or arrange for third parties to provide, which services are subject to change over time (a “Technology Fee”). Currently, the Technology Fee is \$500 per month from the date that you open your Restaurant for business and will be billed monthly in arrears. We reserve the right to increase the Technology Fee by providing you with written notice of any change at least 30 days prior to the implementation of the new fee amount. The Technology Fee currently includes fees related to your maintenance, licensing, access to and usage of our designated software, our intranet, and the system website. We may add, delete, or otherwise modify the products and services that are included in the Technology Fee. In addition to the

monthly Technology Fee, you will be responsible for any “per transaction” fee charged by third-party vendors for mobile application or online ordering.

5.5. Interest on Late Payments.

All Royalty Fees, Technology Fees, Advertising and Marketing Fund Contributions (defined below), and all other amounts owed to us pursuant to this Agreement will bear interest after the due date at the rate of one and one-half percent (1.5%) per month or portion thereof at the highest legal rate plus a late fee of ten percent (10%) of all amounts due for open account business credit in the state in which the Restaurant is located, whichever is lower.

5.6. Electronic Funds Transfer.

We require you to participate in an electronic funds transfer program under which Royalty Fees, Technology Fees, and Advertising and Marketing Fund Contribution payments are deducted or paid electronically from your bank account. You shall sign and provide to us and Franchisee’s bank, all documents, including our form of EFT Authorization Form attached as Exhibit C to this Agreement, necessary to effectuate the electronic funds transfer program and our ability to withdraw funds from such bank account via electronic funds transfer. You must immediately notify us of any change in your banking relationship, including any change to the electronic funds transfer program account. We may permit you to initiate payments via a system established or approved by us, or at our option, require you to authorize us to initiate debit and/or credit entries and/or credit correction entries to your Restaurant bank operating account (the "Account") for payment of Royalty Fees, Technology Fees, and Advertising and Marketing Fund Contributions on forms we prescribe. In the event you are required to authorize us to initiate debit entries, you agree to make the funds available in the Account for withdrawal by electronic transfer no later than the due date for payment. The amount actually transferred from the Account to pay Royalty Fees, and Advertising and Marketing Fund Contribution will be based on the Restaurant's Gross Sales reported to us. If you have not reported Gross Sales of the Restaurant to us for any reporting period, we will be authorized to debit the Account in an amount equal to the Royalty Fee and Advertising and Marketing Fund Contribution transferred from the Account for the last reporting period for which a report of the Gross Sales of the Restaurant was provided to us. If at any time we determine that you have under-reported the Gross Sales of the Restaurant or underpaid Royalty Fees or Advertising and Marketing Fund Contributions due us under this Agreement, we will be authorized to initiate immediately a debit to the Account in the appropriate amount in accordance with the foregoing procedure, including interest as provided for in this Agreement. An overpayment will be credited to the Account through a credit effective as of the first reporting date after we and you determine that such credit is due. Our use of electronic funds transfers as a method of collecting Royalty Fees, Technology Fees, and Advertising and Marketing Fund Contributions due to us does not constitute a waiver of any of your obligations to provide us with weekly sales reports as provided in Section 13.2 nor shall it be deemed a waiver of any of the rights and remedies available to us under this Agreement.

5.7. Application of Payments.

When we receive a payment from you, we have the right in our sole discretion to apply it as we see fit to any past due indebtedness of yours due to us or our affiliates, whether for Royalty

Fees, Technology Fees, Advertising and Marketing Fund Contributions, purchases, interest, or for any other reason, regardless of how you may designate a particular payment to be applied. In addition, we may offset any amount otherwise due under any discount or rebate program against any amount owed to us.

6. RESTAURANT LOCATION.

6.1. Location and Use.

You may operate the Restaurant only at the Approved Location and you may not relocate the Restaurant except with our prior written consent. The Restaurant may only be used for the operation of a Sticks Kebob Shop Restaurant and other related activities approved by us in writing. You shall not allow the premises of the Restaurant to be used for any immoral or illegal purpose, or any other purpose that may bring disrespect or disrepute to the Marks. If no previously selected or approved site is specified in Section 2.1, then your initial location must be submitted to us and is subject our approval or disapproval. You must obtain a location that is acceptable to us within six (6) months of signing this Agreement. If you do obtain a location that is acceptable to us within six (6) months from the effective date of this Agreement, we will have the option to terminate this Agreement upon the giving of written notice to you.

6.2. Relocation, Damage, or Condemnation.

If your lease expires or terminates without your fault or if the site is condemned, destroyed or rendered unusable ("Closing Event"), we may grant permission for relocation of the Restaurant to a location and site meeting our requirements, policies and standards. Any relocation will be at your sole expense and the relocated Restaurant must be open and operating no later than six (6) months after the Closing Event. In addition, within ten (10) days of vacating the Restaurant premises, you must make such reasonable modifications to the exterior and interior of the Restaurant (including signage, menu boards, job aids, product photos and the like) as we require to fully eliminate its identification and appearance as a Sticks Kebob Shop Restaurant. If you fail or refuse to fully de-identify the Restaurant to the extent and in the manner required by this Agreement, we may, at our option and in addition to other rights and remedies we may have, make the modifications that are contemplated by this Agreement on your behalf and you agree to promptly pay and reimburse us on demand for any costs incurred by us including, without limitation, the proportionate compensation of our employees who devote time and render services in the de-identification of the Restaurant.

6.3. Restaurant Lease.

The lease for the site of the Restaurant shall contain such terms as we specify from time to time for all leases of a similar type. Each original lease, renewal leases, and lease addenda and modification of any type must be submitted to us prior to execution for our examination and approval that it contains the terms we require. You must provide us with a copy of the executed lease, any renewal lease, and any addenda and modification within thirty (30) days after execution by you and the landlord. We will condition our approval of your lease upon, among other conditions, your and your landlord's signing of a rider to the lease (which is attached to this Agreement as Exhibit B), through which your landlord grants us the rights to assume your rights

and obligations under the lease in the event that you breach your lease agreement, or your Franchise Agreement is terminated or expires. By approving any lease, we do not render any opinion as to whether the lease is fair or equitable or as to whether the lease or the location makes good business sense or will be fair or profitable for you.

6.4. Assumption of Lease on Termination or Expiration.

Upon the termination or expiration of the franchise for any reason, other than a termination by you for cause, we or our designee shall have the right to assume your status and replace you as lessee. You agree to execute an assignment of your interest in the lease promptly upon our request. Upon exercise of our right to assume your status as lessee, and your compliance with the other provisions of this Article, you will be fully released and discharged from all liability to us for rent and all other future liability to us under the lease (although not from any liability for unpaid rent or any other then existing liability to the lessor under the lease, including, without limitation, any damages to the premises or restoration costs). If we exercise our right to assume your lease, we will indemnify you and hold you harmless against any claim made for future rent or other future liability under the lease. We will also notify you within ninety (90) days of obtaining your written assignment of your interest in the lease of any damages to the premises or restoration costs for which you are liable or responsible.

6.5. Ownership of Restaurant Premises.

If you, or any entity that you own or control, owns any interest in the real estate where the Restaurant is located, you agree to furnish to us upon request, a copy of the deed and any other documents relating to the title to the real estate and a copy of your owner's policy of title insurance.

7. RESTAURANT DEVELOPMENT.

7.1. Development and Construction.

You agree that promptly after obtaining possession of the site for the Restaurant you will:

- (a) cause to be prepared and submit for approval by us a site plan and any modifications to our basic architectural plans and specifications for the Restaurant, including requirements for dimensions, exterior design, materials, interior layout, equipment, fixtures, furniture, signs, and decorating. You understand that you may modify our basic plans and specifications only to the extent required to comply with applicable ordinances, building codes and permit requirements and only with our prior written approval;
- (b) obtain all required zoning changes; all required building, driveway, utility, health, sanitation, and sign permits and any other required permits;
- (c) purchase or lease fixtures, furniture and signs meeting our specifications or requirements and, if we so require, from an approved vendor or vendors designated by us;

- (d) acquire through purchase, lease and/or license the Business Management and Technology System as required by Section 14.8;
- (e) complete the construction and/or remodeling, equipment, fixture, furniture and sign installation and decorating of the Restaurant in full and strict compliance with plans and specifications approved by us and all applicable ordinances, building codes and permit requirements; and,
- (f) obtain all customary contractors' sworn statements and partial and final waivers of liens for construction, remodeling, decorating and installation services.

7.2. Equipment, Fixtures, Furniture and Signs.

We will provide you with specifications for our proprietary menu items, any other authorized food and beverage preparation, dispensing, storage and display equipment, other equipment, fixtures, furniture, exterior and interior signs and decorating that we require you to use or install in the Restaurant. We may specify brands, types or models for any of these items. You may purchase items meeting our specifications from any source unless we designate an approved source or sources for any of these items. If you propose to purchase or lease items not previously approved by us as meeting our specifications or from a vendor not approved by us, you must first notify us and we may require submission of sufficient specifications, photographs, drawings and/or other information and samples to determine whether any such item or supplier meets our specifications or our approved vendor criteria. We will advise you within a reasonable time whether any proposed item or vendor meets our specifications or our approved vendor criteria. You agree to use only such items that meet our specifications in the operation of the Restaurant and to purchase them from approved vendors, if we so require. You understand, however, that we or our affiliates or an approved vendor may be the only source for some of these items and that we may otherwise limit the number of approved vendors. We reserve the right to charge you for our reasonable expenses in testing and/or evaluating any proposed item or vendor submitted by you and will require a \$500.00 application fee.

7.3. Restaurant Opening.

You agree to complete development of the Restaurant and have the Restaurant ready to open within a reasonable time after obtaining possession of the site for the Restaurant. If you do not open the Restaurant within twelve (12) months from the effective date of this Agreement, we will have the option to terminate this Agreement upon the giving of written notice to you.

8. RESTAURANT REFURBISHING.

You have an obligation to maintain the Restaurant in a manner which contributes positively to the then current image of the Sticks Kebob Shop brand. You agree to refurbish the Restaurant (in addition to regular maintenance and repair), within six (6) months of receipt of written notice from us, as we may from time to time require you to maintain or improve the appearance and efficient operation of the Restaurant, to increase its sales potential or to comply with our then current standards, image or identity. Refurbishing may include:

- (a) replacement of worn out or obsolete equipment, fixtures, furniture and signs;
- (b) the substitution or addition of new or improved equipment, including safes, fixtures, furniture, and signs, designated by us;
- (c) redecorating;
- (d) renovation of the interior and exterior of the premises and restoration and resurfacing of parking facilities; and,
- (e) structural modifications and remodeling of the premises.

For purposes of this Section 8, the term equipment shall not include computer hardware or other components of the Business Management and Technology System (as defined in Section 14.8). Any additions, substitutions, replacements or modifications to the Business Management and Technology System shall be governed by the provisions of Section, 14.8 of this Agreement.

9. TRAINING.

9.1. Initial Training.

If you (or the Controlling Person if you are an Approved Entity) are opening your (or his or her) first Restaurant, you (or the Controlling Person) must enroll in and complete all training programs and classes which we require for the operation of a Sticks Kebob Shop Restaurant. These training programs and classes will be furnished at such times and places as we designate. All training programs and classes must be completed to our satisfaction. You will be responsible for the travel, living expenses and any other costs incurred during these training programs and classes. Should you or your employee fail to complete the initial training program to our satisfaction, at our option, the respective person may repeat the course, or in the case of an employee, you may send a replacement (the "Replacement Personnel") to the next available training programs and classes. Failure by you, your employee, manager, or any Replacement Personnel to complete the training programs and classes to our satisfaction is a material breach of this Agreement and we may terminate this Agreement.

9.2. Onsite Training.

We will provide Onsite Training at your Restaurant which shall begin the week before the opening date of the Restaurant and shall last until a week after the opening date. We do not charge a training fee for Onsite Training, but you will be responsible for the reasonable travel and living costs of our training personnel, up to a maximum of \$5,000.

9.3. Training of Employees.

You agree to implement a training program for employees of the Restaurant and to be solely responsible for training each employee to legally, safely and properly perform his or her duties while inside the Restaurant and while outside the Restaurant for business purposes,

including training your employees to follow appropriate procedures for their safety and well-being. You agree not to employ any person who fails or refuses to complete your training programs or is unqualified to perform his or her duties in accordance with the requirements established for the operation of a Sticks Kebob Shop Restaurant. You acknowledge and understand that implementing a training program for employees of the Restaurant and training your employees to follow safe and proper procedures for the operation of the Restaurant will remain your sole responsibility even if, from time to time, you obtain advice or suggestions from us or our affiliates about these topics. You further acknowledge and understand that it is not our responsibility or duty to implement a training program for your employees, nor do we have the responsibility or duty to instruct your employees about matters of safety and security in the Restaurant or elsewhere. By providing advice or suggestions, we do not assume any of your responsibilities or duties.

9.4. Additional Training.

We may also, at our option, require you (or the Controlling Person if you are an Approved Entity) to attend supplemental or additional training programs which may be offered from time to time by us or our affiliates during the term of the franchise. You will be responsible for the reasonable costs of such programs and for the travel and living expenses and any other costs incurred during these programs. You must complete this supplemental or additional training within one (1) year of the time in which it is originally offered by us or our affiliates or designees. If you request us to provide additional training programs for new or replacement personnel after your Restaurant has opened for business, we may offer such additional training programs in our discretion, and you must pay us a fee of up to \$500 per day, per each of our employees who provide such additional training, plus the travel and living expenses and any other costs incurred by us in providing this additional training.

9.5. Convention.

We may establish and hold a convention for franchisees and if we do so, you will be required to attend. We reserve the right to charge our then-current conference fee for your attendance at any required conference or seminar, regardless of whether or not you attend, and you will be responsible for the travel and living expenses for you and your personnel to attend the conference or seminar.

10. OPERATING ASSISTANCE.

10.1. Advice and Guidance.

We may furnish you with such reasonable operating assistance as we determine from time to time to be necessary for the operation of the Restaurant. You acknowledge and understand that it is not our responsibility or duty to operate the Restaurant and we do not have the legal right to direct your employees in the operation of the Restaurant. Those functions remain your sole responsibility and duty. Further, you understand that the assistance provided to you under this Section 10 does not obligate us to provide the accounting, bookkeeping or marketing services required for the operation of the Restaurant or to otherwise operate the Restaurant. By providing any advice or suggestions, we do not assume any of your responsibilities or duties.

10.2. Operating Problems.

We may advise you from time to time of operating problems of the Restaurant disclosed by reports submitted to or inspections made by us or our designee. We will make no separate charge for any operating or marketing assistance except that we may make reasonable charges for forms and other materials supplied to you and for operating assistance made necessary in our judgment as a result of your failure to comply with any provision of this Agreement or for operating assistance requested by you in excess of that normally provided by us. By providing any advice or suggestions, we do not assume any of your responsibilities or duties.

11. RESTAURANT PRODUCTS.

11.1. Restaurant Menu.

You agree that you will offer for sale and sell at the Restaurant for final consumption and not for resale, all proprietary menu items and other authorized food and beverage products that we from time to time authorize, provided, however, you may offer for resale any authorized products for certain programs which may be approved by us in our sole and absolute discretion, considering factors including but not limited to: (i) quality assurance; (ii) brand image; and, (iii) such other factors as we determine. You also agree that you will not offer for sale or sell at the Restaurant any other products or services except those authorized by us in writing.

11.2. Ingredients, Supplies and Materials.

All proprietary menu items and other food ingredients, beverage products, cooking materials, containers, packaging materials, other paper and plastic products, utensils, uniforms, menus, forms, cleaning and sanitation materials and other supplies and materials used in the operation of the Restaurant must conform to the specifications and quality standards established by us from time to time. You must use in the operation of the Restaurant boxes, cups, plates, containers and other paper or plastic products imprinted with the Marks as prescribed from time to time by us. We may in our sole and absolute discretion require that ingredients, supplies and materials used in the preparation, service or packaging of proprietary menu items and other authorized food products be purchased exclusively from us, our affiliates or from approved suppliers or distributors. You agree to request delivery of food products to your Restaurant in quantities and in a manner that is consistent with policies prescribed from time to time by us.

In the event you wish to purchase any ingredient, supply or material not previously approved by us, including inventory, and/or acquire such items from an unapproved supplier, you must provide us the name, address and telephone number of the proposed supplier, a description of the item you wish to purchase, and the purchase price of the item, if known. At our request, you must provide us with a sample of the item you wish to purchase for testing purposes. If we incur any costs in connection with testing a particular product or evaluating an unapproved supplier at your request, you must reimburse our reasonable testing costs, regardless of whether we subsequently approve the item or supplier.

We will use our best efforts to notify you of our approval or disapproval of a particular supplier or product within 30 days of receiving all requested information. If we do not respond

within 30 days, the supplier or product is deemed disapproved. We are not required to approve any particular supplier or product. We may base our approval of a proposed item or supplier on considerations relating not only directly to the item or supplier, but also indirectly to the uniformity, efficiency, and quality of operation we deem necessary or desirable in our System as a whole. We have the right to receive payments from suppliers on account of their dealings with you and other franchisees and to use all amounts we receive without restriction (unless instructed otherwise by the supplier) for any purposes we deem appropriate. We will not approve an unreasonable number of suppliers for a given item, which approval might, in our reasonable judgment, result in higher costs or prevent the effective or economical supervision of approved suppliers. Our criteria for approval of a particular supplier or product will be made available upon written request. We may revoke our approval of particular products or suppliers when we determine, in our sole discretion, that such products or suppliers no longer meet our standards. Upon receipt of written notice of such revocation, you must cease purchasing products from such suppliers. You must use products purchased from approved suppliers solely in connection with the operation of your Restaurant and not for any competitive business purpose.

11.3. System Changes.

We reserve the right to supplement, change, alter, modify or make substitutions for the Sticks Kebob Shop System menu items, product and service offerings, trademarks, business methods, advertising methods and marketing methods in efforts to improve the System and its competitiveness as we see fit in our business judgment, which may be exercised in our sole and absolute discretion. We may change the components of the Sticks Kebob Shop System (and the requirements of the Sticks Kebob Shop System), including, for example, changing the food products, beverages, programs, methods, standards, forms, policies, procedures, and services of the Sticks Kebob Shop System, and adding to, deleting from or modifying the programs, services and products which we authorize or require you to conduct or offer. You must comply with any of these modifications, additions, deletions, substitutions and alterations. However, the changes will not materially and unreasonably increase your obligations under the Franchise Agreement.

11.4. Virtual Kitchen Products.

We may permit you to offer additional products under marks that we have licensed from third parties as a “ghost kitchen” or “virtual kitchen” (“Virtual Kitchen Products”) but we are under no obligation to do so. Virtual Kitchen Products are food products which are marketed under a name other than the “Sticks Kebob Shop” Marks and are prepared at your Restaurant and made available for delivery to customers through third-party delivery services such as DoorDash, UberEats, PostMates, and similar service providers. You may not offer Virtual Kitchen Products without our prior written approval. We may revoke our approval of any Virtual Kitchen Products at any time, even if we have previously granted you approval. If we permit you to offer Virtual Kitchen Products, revenue generated from the sale of Virtual Kitchen Products will be included in the definition of “Gross Sales” under this Agreement.

12. ADVERTISING AND PROMOTION.

12.1. By Sticks Kebob Shop.

We or our designee may from time to time formulate, develop, produce and conduct advertising and promotional programs in the form and media as we or our designee determines to be most effective. You agree to participate in all national and local and regional advertising and promotions as we determine to be appropriate for the benefit of the Sticks Kebob Shop System. You further agree to honor any maximum pricing we may prescribe from time to time for any such national or local or regional advertising and promotions. We reserve the right, in our sole and absolute discretion, to determine the composition of all geographic territories and market areas for the development and implementation of advertising and promotional programs. All costs of the formulation, development and production of any such advertising and promotion (including without limitation the proportionate compensation of our employees who devote time and render services in the formulation, development and production of such advertising and promotional programs or the administration of the funds), may be paid from the Advertising and Marketing Fund (defined below).

12.2. By Franchisee.

All advertising and promotion by you, including, but not limited to, all advertising and promotion conducted by you in print, or on radio, television, the Internet, and other electronic media, must be completely factual and shall conform to the highest standards of ethical advertising and be consistent with the then current image and policies relating to advertising and promotional programs of a Sticks Kebob Shop Restaurant. You must obtain our advance written approval prior to using or producing any advertising or marketing materials using any of the Marks, in whole or in part. We will have the final decision on all creative development of advertising and promotional messages. If our written approval is not received within 14 days from the date we received the material, the material is deemed disapproved. We reserve the right to require you to discontinue the use of any advertising or marketing materials.

12.3. Advertising and Marketing Fund.

We have established an Advertising and Marketing Fund for the common benefit of System franchisees. Currently, you must contribute 1.5% of your Gross Sales to the Advertising and Marketing Fund (the "Advertising and Marketing Fund Contribution"). Your Advertising and Marketing Fund Contribution must be paid by electronic funds transfer on Wednesday of each week on Gross Sales for the week ending on the preceding Sunday as provided in Article 5 of this Agreement. We reserve the right to increase your Advertising and Marketing Fund Contribution to up to 4% of Gross Sales upon 30 days' notice to you. We have the right to use Advertising and Marketing Fund Contributions, in our sole discretion, to develop, produce, and distribute national, regional and/or local advertising and to create advertising and public relations materials which promote, in our sole judgment, the products offered by System franchisees. We may use the Advertising and Marketing Fund to satisfy any and all costs of maintaining, administering, directing, preparing, and producing advertising. We are not obligated to expend monies from the Advertising and Marketing Fund in any particular franchisee's market in proportion to the payments to the Advertising and Marketing Fund made by the franchisee in that market. We do

not represent that we will spend any particular amount of Advertising and Marketing Funds locally, regionally, or nationally.

We shall administratively segregate all contributions to the Advertising and Marketing Fund on our books and records. All such payments to the Advertising and Marketing Fund may be deposited in our general operating account, may be commingled with our general operating funds, and may be deemed an asset of ours, subject to our obligation to expend the monies in the Advertising and Marketing Fund in accordance with the terms hereof. We may, in our sole discretion, elect to accumulate monies in the Advertising and Marketing Fund for such periods of time, as we deem necessary or appropriate, with no obligation to expend all monies received in any fiscal year during that fiscal year. In the event our expenditures for the Advertising and Marketing Fund in any one fiscal year shall exceed the total amount contributed to the Advertising and Marketing Fund during such fiscal year, we shall have the right to be reimbursed to the extent of such excess contributions from any amounts subsequently contributed to the Advertising and Marketing Fund or to use such excess as a credit against its future contributions. The parties do not intend that the Fund be deemed a trust.

We use Advertising and Marketing Fund Contributions to develop and prepare advertising which we distribute to System franchisees for their placement in the local media. The advertising is prepared by us and by outside sources. If we do not spend all Advertising and Marketing Fund Contributions by the end of each fiscal year, the funds will be carried forward into the next fiscal year. There is no requirement that the Advertising and Marketing Fund be audited. Upon your written request, we will provide you with an unaudited accounting of Advertising and Marketing Fund expenditures.

We have the sole right to determine how to spend the Advertising and Marketing Fund Contributions, or funds from any other advertising program, and the sole authority to determine the selection of the advertising materials and programs, provided, however, that we will make a good faith effort to expend such funds in the general best interests of the System on a national or regional basis. We are not required to spend any amount of Advertising and Marketing Fund Contributions in your Protected Territory and not all System franchisees will benefit directly or on a pro rata basis from our expenditures. We have the right to reimbursement from the Advertising and Marketing Fund Contributions for reasonable costs and overhead, if any, as we may incur in activities which are reasonably related to directing and implementing the Advertising and Marketing Fund and advertising programs for franchisees and the System, including costs of personnel for creating and implementing advertising, promotional and marketing programs.

12.4. Local Advertising.

In addition to the Marketing and Advertising and Marketing Fund Contributions described above, you must spend a minimum of \$500 per month on local advertising and promotion implemented in a format and using materials and designs approved by us as your “Local Advertising, Marketing, and Promotional Expenditure”. We reserve the right to increase the amount of your Local Advertising, Marketing, and Promotional Expenditure up to a maximum of \$1,500 per month upon 90 days’ written notice to you. You may spend any additional sums you wish on local advertising. You are permitted to use your own advertising materials, so long as you have submitted them to us and received our written approval before your use. We have the right,

in our discretion, to require you to submit receipts documenting expenditures that count toward your Local Advertising, Marketing, and Promotional Expenditure.

12.5. Cooperatives.

We have the right, in our discretion, to designate any geographic area for purposes of establishing a regional advertising and promotional cooperative (“Cooperative”). All franchisees in the designated geographical area must participate in the Cooperative. Cooperative contributions will be credited towards your Local Advertising, Marketing, and Promotional Expenditure, and will not exceed the Local Advertising, Marketing, and Promotional Expenditure unless a majority of the Cooperative’s members vote to spend an amount greater than the Local Advertising, Marketing, and Promotional Expenditure on advertising. Each Cooperative will be organized for the exclusive purpose of administering regional advertising programs and developing, subject to our approval, standardized advertising materials for use by the members in local advertising. No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without our prior approval. All such plans and materials will be submitted to us in accordance with the procedure set forth in Section 12.1 of this Agreement. We may grant to any franchisee, in our sole discretion, an exemption for any length of time from the requirement of membership in a Cooperative, upon written request of such franchisee stating reasons supporting such exemption. Our decision concerning such request for exemption will be final.

12.6. Advertising Council

We reserve the right to establish an advertising council (“Advertising Council”). If we establish an Advertising Council, it will serve in an advisory capacity to us with respect to certain advertising expenditures, including providing advice/guidance on how to administer the Advertising and Marketing Fund. At our discretion, the Advertising Council may be comprised of our management representatives, employees, you and/or other franchisees in the System. We will have the right to modify or dissolve an Advertising Council (if created) at any time.

12.7. Grand Opening Advertising

Contemporaneous with your execution of this Agreement, you must pay us \$20,000 to conduct a grand opening advertising campaign on your behalf (the “Grand Opening Marketing Spend”). You can expend any additional amounts that you wish on a grand opening advertising campaign and we estimate that you will do so.

13. RECORDS AND REPORTS.

13.1. Bookkeeping and Recordkeeping.

You agree to establish and retain a bookkeeping, recordkeeping, computer and point of sale system conforming to any requirements which may be prescribed by us, relating, without limitation, to the use and retention of daily sales information, counts of approved menu items sold, coupons, purchase orders, purchase invoices, payroll records, check stubs, bank statements, sales tax records and returns, cash receipts and disbursements, checks and credit card sales, journals and general ledgers, including any comparable electronically generated information or any supporting

records or materials we may require or prescribe. You agree to retain all business records and reports (whether paper or electronically generated) relating to the Restaurant in accordance with record retention policies and guidelines prescribed by us, from time to time, and for the time limits required by all applicable laws, ordinances and regulations. Upon notice to you, you agree that we shall have full access, either on-site or from a remote location, to all of your computer data, equipment and systems containing any and all of the information, records and reports required by this Section 13.1 or any other provision of this Agreement. In addition, you agree to provide us with access to all such data, equipment and systems to facilitate the exchange of information you are required to provide us under this Agreement. Any information provided by you shall be used by us in a lawful manner.

13.2. Sales Reports and Financial Statements.

You agree to submit to us, in accordance with requirements prescribed by us from time to time (initially in thirteen four-week reporting periods per year) and in a format which we may designate from time to time:

- (a) at the same time the Royalty Fee is due, a weekly report of the sales of the Restaurant and all other information and supporting records as we may require or request;
- (b) within sixty (60) days of the end of each calendar quarter;
 - (i) a statement of cash flow and cash on hand, an unaudited balance sheet as of the end of each a calendar quarter and an unaudited quarterly statement of profit and loss and financial condition of the Restaurant prepared on an accrual basis;
 - (ii) if you are a corporation, partnership or other approved entity, a cash flow and cash on hand, an unaudited balance sheet as of the end of the quarter and an unaudited statement of profit and loss of the corporation, partnership or approved entity prepared on an accrual basis; and,
 - (iii) if you have additional Sticks Kebob Shop Restaurants, a consolidated statement of profit and loss for all of your operations, including any additional Sticks Kebob Shop Restaurants which you own and all administrative operations. The statements must be prepared in accordance with generally accepted accounting principles by an accountant in the manner prescribed by us;
- (c) promptly upon our request and within twenty (20) days of the end of the month or period, in the manner as we may prescribe, and continuing for such period of time as we may from time to time designate:

- (i) a statement of cash flow and cash on hand, an unaudited balance sheet as of the end of the month or period and an unaudited statement of profit and loss of the Restaurant prepared on an accrual basis for each month or period;
- (ii) if you are a corporation, partnership or other approved entity, a statement of cash flow and cash on hand, an unaudited balance sheet as of the end of the month or period and an unaudited statement of profit and loss of the corporation, partnership or approved entity prepared on an accrual basis for each month or period; and,
- (iii) a consolidated statement of profit and loss for all of your Sticks Kebob Shop Restaurants for each month or period;
- (d) if you are in default under any of the terms or conditions of this Agreement, statements submitted on a quarterly basis affirming that all federal, state and local taxes have been paid;
- (e) upon our written request, exact copies of your federal, state and local business income tax returns and state sales tax or equivalent tax returns for any period; and,
- (f) such other information as we may reasonably require or request to determine you and your owners' compliance with this Agreement or to assist you in the operation of the Restaurant or to otherwise evaluate the performance of the Restaurant, including information about the sales and receipts of the Restaurant.

13.3. Right to Require Audit.

We reserve the right to audit the sales reports, financial statements, tax returns, information from the Restaurant's Business Management and Technology System, and any other records you are required to retain or submit to us. In the event any audit discloses an understatement of the Gross Sales of the Restaurant for any period or periods, you must pay on the amount of such understatement the Royalty Fee of six percent (6 %), all Advertising and Marketing Fund Contributions due under this Agreement and the amount, if any, required to be paid to your local or regional cooperative as provided in this Agreement, plus interest due. Further, in the event such understatement for any period or periods shall be three percent (3%) or more of the Gross Sales of the Restaurant or such inspection or audit is made necessary by your failure to furnish reports, supporting records, financial statements or other information required by this Agreement or to furnish these reports, records, information or financial statements on a timely basis, you will be obligated to reimburse us for the cost of the audit, including the charges of any attorney and/or independent certified public accountant used and the travel expenses, room and board and compensation of our employees or anyone we engage to conduct the audit. In the event you dispute the results of any audit conducted by us or our representatives, you will have the right, upon written notice to us within ten (10) days of your receipt of the results of our audit, to have the results

verified by an independent certified public accounting firm selected by our outside accounting firm. The expense of this audit shall be borne by you unless this further audit discloses that no deficiency is due in which case we will be obligated to pay for the audit. We will notify you within ten (10) days of our receipt of your notice when the independent audit will commence. You agree to cooperate with all personnel conducting the audit. The results of the independent audit shall be binding upon the parties. You agree to pay any deficiencies within ten (10) days after receipt of our audit or, if applicable, the independent audit requested by you.

14. OPERATING REQUIREMENTS.

14.1. Operating Procedures.

You agree to fully comply with all specifications, standards and operating procedures and rules from time to time prescribed for the operation of a Sticks Kebab Shop Restaurant, including, but not limited to, specifications, standards and operating procedures and rules relating to:

- (a) offering all of and only the approved products and services from your Restaurant;
- (b) the safety, maintenance, cleanliness, sanitation, function and appearance of the Restaurant premises and its equipment, (including computer hardware, software, peripheral devices, high speed broadband connectivity, high speed broadband monitoring, and methods and means of encryption and access to our network resources), image, fixtures, furniture, decor and signs;
- (c) qualifications, dress, grooming, general appearance and demeanor of you and your employees;
- (d) quality, taste, portion control and uniformity, and manner of preparation and sale, of all proprietary menu items and other authorized food and beverage products sold by the Restaurant and of all ingredients, supplies and materials used in the preparation, packaging and sale of these items;
- (e) methods and procedures relating to accepting customer orders or serving customers;
- (f) the hours during which the Restaurant will be open for business;
- (g) use and illumination of exterior and interior signs, posters, displays, menu boards and similar items;
- (h) the handling of customer complaints;
- (i) advertising on the Internet or other electronic media, including websites, home pages and the use of domain names;

- (j) use and limitations on use of Facebook, Twitter, Instagram and other social media ("Social Media");
- (k) You must play only the music and music selections that we approve. You must install the equipment necessary to receive and play approved music. You will be required to obtain any necessary licenses for the playback of music in your Restaurant.
- (l) e-mail capabilities of the Restaurant and other electronic communication methods (including high speed broadband connectivity, high speed broadband monitoring, and methods and means of encryption and access to our network resources) and devices to facilitate communication with us or our offices, including the exchange of information between the Restaurant and us; and
- (m) the methods and manners of payments which will be accepted from customers.

By entering into this Agreement, you agree to abide by these specifications, standards, operating procedures and rules and to fully adopt and implement them.

14.2. Compliance with Laws and Other Business Practices.

You agree to secure and maintain in force all required licenses, permits and certificates and to operate the Restaurant in full compliance with all applicable laws, ordinances and regulations, including without limitation workers' compensation insurance and taxation laws. You also agree to pay when due all amounts payable pursuant to any provision of this Agreement or any other agreement with us or our affiliates or subsidiaries or pursuant to any agreement with any other creditor or supplier of the Restaurant. You shall file all tax returns and pay all taxes before they become delinquent. You agree not to permit any levy or warrant to be issued by any taxing authority or other creditor, (excluding mechanics liens and other immaterial liens), against any of your assets, nor allow any of your assets to be seized or frozen by any taxing authority or other creditor. Furthermore, if you are subject to any withholding taxes on Royalty Fees or other payments due, you shall provide us with quarterly evidence that such tax has been remitted to the appropriate governmental agency on a quarterly basis.

You agree to abide by the Payment Card Industry Data Security Standards enacted by the applicable Card Associations, as applicable to your business. If you know or suspect a security breach which has or may result in instances of identity theft, data breach or any other theft of information involving your employees or customers of your Restaurant (a "Cyber Event"), you shall immediately notify us. You shall promptly identify and remediate the source of the compromise. You assume all responsibility for providing all notices of breach or compromise and all duties to monitor credit histories and transactions concerning your customers. Without limiting the generality of other provisions of this Agreement, you agree to defend, indemnify and hold us and our affiliates harmless from and against any and all claims, demands, duties, obligations,

damages, fines and/or penalties imposed upon you as a result of non-compliance with the Payment Card Industry requirements or any Cyber Event involving your Restaurant.

14.3. Operating Manual.

We will license to you for no charge during the term of the franchise one copy of an operating manual or operational bulletins or similar materials containing mandatory and suggested specifications, standards and operating procedures and rules prescribed from time to time by us and information relative to your other obligations under this Agreement and the operation of the Restaurant (the "Operating Manual"). The entire contents of the Operating Manual will remain confidential and are proprietary to us and our affiliates. We will have the right to add to and otherwise modify the Operating Manual from time to time, if deemed necessary or advisable to improve the standards of service or product quality or the efficient operation of the Restaurant, to protect or maintain the goodwill associated with the Marks, to take advantage of advancements in technology, or to meet competition. No such addition or modification, however, shall alter your fundamental status and rights under this Agreement. The provisions of any Operating Manual as modified from time to time, including the mandatory specifications, standards and operating procedures and rules prescribed from time to time by us and communicated to you in writing, will constitute provisions of this Agreement as if contained in this Agreement. Additional or replacement copies of the Operating Manual may be licensed for \$250.

14.4. New Concepts.

If you develop any new concept, product, process, or improvement or any slogan in the operation or promotion of the Restaurant, or technology used in connection with the operation of the Restaurant, you agree to promptly notify us and provide us with all necessary information without compensation. You hereby assign to us any such concept, product, process, improvement or slogan and you acknowledge that they are and shall become our property and that we may utilize or disclose them to our affiliates and other franchisees and that we may patent, trademark or copyright them at our expense.

You agree to assist us in obtaining and enforcing the intellectual property rights to any such concept, product, process or improvement in any and all countries and further agree to execute and provide us with all necessary documentation for obtaining and enforcing such rights. You will irrevocably designate and appoint us as your agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any such concept, process or improvement. In the event that such provisions of this Agreement are found to be invalid or otherwise unenforceable, you and your principals will grant to us a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the concept, process or improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe on your rights to the new concepts.

14.5. Franchisee Must Directly Supervise Restaurant.

You (or the Controlling Person if you are an Approved Entity) are obligated to actively, personally, and frequently monitor and supervise the performance and operation of each

Restaurant franchised to you. Each Restaurant must also be under the direct, on-premises supervision of either you directly or of a manager (the “Key Manager”) who may also be your Controlling Person, provided the Key Manager:

- (a) has been properly trained by you;
- (b) has been approved by us and whose identity has been disclosed to us; and,
- (c) who shall have executed, upon our request, an agreement in the form provided by us agreeing not to divulge any trade secret or confidential or proprietary information, including without limitation the contents of the Operating Manual, or to engage in or have any interest in any Competing Business, as defined below in Section 19.1.
- (d) In the event that your Controlling Person or Key Manager resigns or is otherwise terminated, you must hire a replacement approved by us in writing who meets our then current standards for Controlling Person and Key Manager, and who is approved by us in writing before hiring, within 30 days after the resignation or termination of the former Controlling Person or Key Manager. You must train the new Controlling Person or Key Manager within 30 days of hiring.
- (e) Your Controlling Person, Key Manager, and certain key employees and their spouses will be bound by the confidentiality and non-compete covenants of the Franchise Agreement and will execute the Confidentiality and Restrictive Covenant Agreement attached as Exhibit D to this Agreement.

(a)

14.6. Insurance.

You shall at all times during the term of the franchise maintain in force at your sole expense:

- (a) property insurance on a replacement cost basis at a minimum limit based on the total value of your assets, with a deductible of no more than \$5,000 (including, but not limited to, fire, extended coverage, vandalism and malicious mischief);
- (b) general liability insurance with a minimum limit of \$1,000,000.00 per occurrence and \$2,000,000 general aggregate (including, but not limited to, coverage for personal injury, products and contractual liability);
- (c) Umbrella or Excess Liability Insurance with limits of \$1,000,000 per occurrence and \$1,000,000 general aggregate;

- (d) if the franchisee, the Approved Entity, or any of their owners uses any vehicles for business purposes which is owned or leased in whole or in part in the name of your business, automobile liability insurance with a minimum limit of \$1,000,000.00 combined single limit (including, but not limited to, owned automobiles titled or leased in the name of you or your owners and used at any time, whether principally or occasionally in your business, hired and non-owned coverage). If you or your owners do not use a vehicle owned or leased in the name of you or any of your owners in your business, you must provide written evidence of that fact that is satisfactory to us; and,
- (e) workers' compensation insurance (in your name) as required by applicable law. If no such law exists, then you must participate in such other comparable insurance or benefit programs for your employees as required by us. If your state recognizes and permits self-insurer programs, your participation in such a program will satisfy our requirements under this subsection (d). If deductible plans are approved and used in your state, coverage may be purchased on this basis subject to the requirements of your insurance carrier. You agree to comply with applicable state law with respect to workers' compensation reporting and payment and maintenance of workers' compensation taxes and/or insurance premiums;
- (f) Employers' Liability insurance with limits not less than \$1,000,000 each accident, \$1,000,000 each employee by disease and \$1,000,000 policy limit by disease;
- (g) Employment Practices Liability Insurance, including third party coverage, with limits not less than \$1,000,000 per claim and aggregate. We must be endorsed as a Co-Defendant;
- (h) Data Breach Expense/Cyber Liability Insurance, including first and third-party coverage with limits no less than \$1,000,000, and regulatory expense coverage of no less than \$250,000; and
- (i) all other insurance required by law or that we may reasonably require.

All liability insurance policies must name us, and any subsidiaries and affiliates which we designate, as additional insureds entitled to the coverage afforded to all named insureds, without regard to any other insurance or self-insured program which we or our affiliates or subsidiaries may have in effect, and also provide that we receive thirty (30) days prior written notice of termination, expiration, cancellation, modification or reduction in coverage or limits of any such policy. The terms and conditions of all such policies, including the amount of any deductibles, shall be consistent with the requirements prescribed from time to time by us. You agree to promptly pay when requested by the insurer the amount of the deductible applicable to, and in the event of, any covered loss.

All insurance policies (excluding workers' compensation policies) must be issued by an insurance carrier rated A-VIII or better by Alfred M. Best & Company, Inc. or meeting such other rating criteria we may establish from time to time. We may also reasonably increase the minimum liability "limit" protection requirement annually and require different or additional kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards in public, product or motor vehicle litigation or other relevant changes in circumstances. You must submit to us annually a copy of the certificate of insurance or evidence of the renewal or extension of each such insurance policy or any modifications to any such insurance policies, which must describe the applicable deductibles for each such policy. If at any time you fail or refuse to maintain in effect any insurance coverage required by us, or to furnish satisfactory evidence of such insurance, we may, at our option and in addition to other rights and remedies we may have, obtain insurance coverage, on your behalf, and you agree to promptly execute any applications or other forms or instruments required to obtain any such insurance and pay to us on demand any costs and premiums incurred by us. Your obligation to obtain and maintain the insurance described in this Agreement shall not be limited in any way by reason of any insurance maintained by us.

14.7. Identification as Independent Franchisee.

You agree to exhibit on the Restaurant premises signs of sufficient prominence and wording as we may prescribe from time to time so as to advise the public that the Restaurant is owned, operated and maintained by you as an independent franchisee. All business cards, letterheads and other business materials shall clearly identify that you are the owner of the Restaurant in accordance with the rules or policies we may establish from time to time in the Operating Manual or otherwise in writing. In addition, subject to rules and policies that may be established from time to time, all local advertising, including yellow page listings and advertisements that are placed by you or on your behalf, and which do not contain phone numbers or addresses that are associated with restaurants that we own or operate, shall either indicate that you are the owner of the Restaurant or Restaurants in the print material, or that the Restaurant or Restaurants are locally owned and operated.

14.8. Business Management and Technology System; Software; and Signs.

14.8(A) Business Management and Technology System.

You agree to use in the development and operation of the Restaurant any management system and computer hardware and software and related technology designated by us, including without limitation, features such as high speed broadband connectivity, high speed broadband monitoring, online ordering, mobile apps, methods and means of encryption and access to our network resources, and other internet-based technology and peripheral devices that we specify from time to time (the "Business Management and Technology System"). You acknowledge that we may modify all aspects and the components of the Business Management and Technology System from time to time. As part of the Business Management and Technology System, we may require you to obtain computer hardware and/or software we specify from one or more vendors designated by us and we or our affiliates may be the sole or shared supplier of all or any part of the Business Management and Technology System. You agree to use only such items and services

as we specify in connection with the Business Management and Technology System. We may require that you enter into a license exclusively with us or our affiliates to use proprietary software developed by or for us. You may also be required to enter into agreements with others for use of third-party software incorporated or used in connection with the Business Management and Technology System. Our modification of such specifications or components for the Business Management and Technology System may require you to incur costs to purchase, lease and/or license new or modified computer hardware and/or software and to obtain service and support for the Business Management and Technology System during the term of this Agreement. You acknowledge that the cost to you of obtaining the Business Management and Technology System (including software licenses) (or additions, substitutions, replacements, or modifications thereto) may not be fully amortizable over the remaining term of this Agreement. Nonetheless, you agree to incur such costs in connection with obtaining the computer hardware and software comprising the Business Management and Technology System (or additions, substitutions, replacements or modifications thereto). You further acknowledge and agree that we have the right to charge reasonable fees for software or systems modifications and enhancements specifically made for us that are licensed to you and other maintenance and support services that we or our affiliates furnish to you related to the Business Management and Technology System. You may also incur charges from third parties who render services or provide products that we require you to purchase or use. We shall have independent access to data on your Business Management and Technology System, including sales figures. There are no contractual, legal or implied limitations on our right to access this information and data.

If and at such time we develop and custom design any software programs for conducting scheduling, accounting, inventory and point-of-sale functions and related activities (“Proprietary Software Program”), you, at your own expense, agree to obtain the computer hardware required to implement the Proprietary Software Program into your Restaurant, and to comply with all specifications and standards prescribed by us regarding the Proprietary Software Program, as provided in the Operating Manual or otherwise in writing. This Proprietary Software Program will be proprietary to us and Confidential Information of ours. It is possible that we might not be able to alter the Proprietary Software Program to accommodate each and every franchisee of the System, and therefore, at such time that we require the implementation of such software, you will only utilize the program as prescribed by us. At such time as we require the implementation of such Proprietary Software Program, we or our designee agree to provide ongoing service and support to you regarding the Proprietary Software Program and will lease such Proprietary Software Program to you at the then current rates published by us. We reserve the right to have independent access to any data you collect electronically. You must install, at your expense, the necessary computer hardware and software to provide us with full and direct electronic access to all of your data, software systems, and related information.

If and at such time that we develop online portals for your use in connection with the development and operation of your Restaurant (“Designated Franchise Portal”) you and your Controlling Person, any other Owner and/or your Key Manager must actively use and monitor the Designated Franchise Portal and must log into the Designated Franchise Portal at least once per week.

You acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to

technological needs and opportunities, you agree that we shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the Sticks Kebob Shop System; and you agree to abide by and fully adopt and implement those reasonable new standards established by us as if this Article 14.8 were periodically revised by it for that purpose.

14.8(B) Sticks Kebob Shop Standard System and Other Computer and Technology Training.

If you (or the Controlling Person if you are an Approved Entity) have not installed and used any Business Management and Technology System, or any other Business Management and Technology System or technology that we require, in a Restaurant, you (or the Controlling Person) must enroll in and complete all training programs and classes which we may require or request for the operation of any Sticks Kebob Shop standard Business Management and Technology System, or any other Business Management and Technology System or technology. These training programs and classes will be furnished at such times and places as designated by us or the entity or entities that we approve to provide the training. The entity furnishing the training (including us) has the right to charge a reasonable training fee for these training programs or classes, which you agree to pay. All training programs and classes must be completed to our satisfaction. You will be responsible for the travel, living expenses and any other costs incurred during these training programs and classes.

14.8(C) Sticks Kebob Shop Sign and Display Standards and Specifications.

We reserve the right to specify and designate by brand, model, size, type and any other relevant standards or specifications the digital and other signs and displays which must be used or displayed in yours and any other Sticks Kebob Shop Restaurant, including the right to require that you purchase any relevant signs or displays from us or from our affiliates. To the extent any training is necessary or helpful with respect to digital or other signs or displays designated or specified by us, the provisions of Section 14.8(B) of this Agreement shall apply to digital display and sign technology as well.

14.8(D) Websites.

You must have and maintain adequate hardware and software in order to access the Internet at the bit speed we require from time to time. We may, but are not obligated to, establish an Internet website that provides information about the System and the products and services offered by Sticks Kebob Shop Restaurants. In the event we exercise our right to create such a website, we have sole discretion and control over the website (including timing, design, contents and continuation). We may, but are not obligated to, create interior pages on our website(s) that contain information about your Restaurant and other Restaurants. If we do create these pages, we may require you to prepare all or a portion of the page for your Restaurants, at your expense, using a template that we provide. All such information will be subject to our approval prior to posting.

Except as approved in advance in writing by us, you may not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the Restaurants, including

any profile on Facebook, Pinterest, Twitter, LinkedIn, Instagram, YouTube, Snapchat or any other social media and/or networking site. If such approval is granted by us, you must: (i) establish and operate such Internet site in accordance with the Sticks Kebab Shop System standards and any other policies we designate in the Operating Manual or otherwise in writing from time to time; and (ii) utilize any templates that we provide to you to create and/or modify such site(s).

We have the right to modify our policies regarding both our and your use of Internet websites as we deem necessary or appropriate for the best interests of the System. You acknowledge that we and/or our affiliates are the lawful, rightful and sole owner of the Internet domain name www.SticksKebabShop.com, as well as any other Internet domain names registered by us, and you unconditionally disclaim any ownership interest in such domain names and any arguably similar Internet domain names. You agree not to register any Internet domain name in any class or category that contains words used in or similar to any brand name owned by us or our affiliates or any abbreviation, acronym, phonetic variation or visual variation of those words.

You are required to participate in any System-wide computer network, intranet system or extranet system that we implement and may be required by us to use such computer network, intranet system, or extranet system to, among other things: (i) submit your reports due under the this Agreement to us online; (ii) view and print portions of or updates to the Operating Manual; (iii) download approved local advertising materials; (iv) communicate with us and other franchisees; and (v) complete training. You agree to use the facilities of any computer network, intranet system or extranet system in strict compliance with the standards, protocols, and restrictions that we include in the Operating Manual, including those related to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements.

15. MARKS.

15.1. Usage.

You acknowledge that we have the right to sublicense the Marks and that any goodwill relating to your use of the Marks will inure to our benefit and the benefit of our affiliates. You shall use the Marks in full compliance with rules prescribed from time to time by us. You understand and acknowledge that our right to regulate the use of the Marks, includes, without limitation, the right to regulate, restrict or prohibit any use of the Marks in any form of electronic media such as web sites or web pages or as a domain name or electronic media identifier. Any unauthorized use of the Marks will constitute a breach of this Agreement and an infringement of our rights in and to the Marks. You will not use any Mark as part of any corporate name or with any prefix, suffix or other modifying words, terms, designs or symbols or in conjunction or association with any name or symbol used by you in connection with the operation of the Restaurant, nor may you use any Mark in connection with the sale of any unauthorized product or service or in any other manner not explicitly authorized in writing by us. All provisions of this Agreement applicable to the Marks will apply to any additional proprietary trademarks and commercial symbols we hereafter authorize you to use.

15.2. Infringements.

You agree to promptly notify us of any infringement of or challenge to your or our use of any Mark or claim by any person of any rights in any Mark. You agree that you will not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim. We will have sole discretion to take such action as we deem appropriate and the right to exclusively control any litigation or Patent and Trademark Office or TTAB proceeding or other proceeding arising out of any infringement, challenge or claim or otherwise relating to any Mark. You agree to execute any and all instruments and documents, render such assistance and do such acts and things as may, in the opinion of our counsel, be necessary or advisable to protect and maintain our interests in any such litigation or Patent and Trademark Office or TTAB proceeding or other proceeding or to otherwise protect and maintain our interest in the Marks. If we, in our sole discretion, determine that you have used the Marks in accordance with the Franchise Agreement and the Operating Manual, we will pay the cost of defending the action, including the cost of any judgment or settlement. If we, in our sole discretion, determine that you have not used the Marks in accordance with the Franchise Agreement and the Operating Manual, you will be required to pay for the defense or to reimburse us for costs we incurred in providing the defense, including the cost of any judgment or settlement.

15.3. Modifications or Substitutions

We reserve the right to substitute different Marks for use in identifying the Sticks Kebob Shop System and the businesses operating thereunder. You must discontinue using all Marks which we have notified you, in writing, have been modified or discontinued within 10 days of receiving written notice and must promptly begin using such additional, modified or substituted Marks at your expense.

16. INSPECTIONS.

We or our designee will have the right at any time during business hours and without prior notice to conduct reasonable inspections of the Restaurant, its operations and its business records, including, but not limited to, information from the Business Management and Technology System, and records and documents relating to the ownership and control of the Approved Entity and any other entity that has an interest in the operation of Restaurant, wherever located, and to take a physical inventory of the assets of the Restaurant. Inspections of the Restaurant will be made at our expense, unless we are required to make any additional inspections in connection with your failure to comply with this Agreement. In such event, we will have the right to charge you for the costs of making all additional inspections in connection with your failure to comply, including without limitation the travel expenses, room and board and compensation of our employees or the employees of our designee.

17. TERMINATION AND EXPIRATION.

17.1. Termination By Franchisee.

If you are in compliance with this Agreement and we materially breach this Agreement and fail to cure any breach within thirty (30) days after written notice is delivered to us, you may terminate this Agreement and the franchise effective ten (10) days after delivery of notice to us. A

termination of this Agreement and the franchise by you without complying with these requirements or for any reason other than our material breach of this Agreement and our failure to cure the breach within thirty (30) days after receipt of written notice from you shall be deemed a termination by you without cause and a breach of this Agreement.

17.2. Immediate Termination By Us - Upon Written Notice.

We shall have the right to terminate this Agreement effective upon delivery of notice of termination to you, if:

- (a) you or any of your owners have made any material misrepresentation on any record or report required by us under this Agreement or on your application for the franchise, or in any other application submitted to us;
- (b) you do not lease or purchase an approved location for the operation of your Restaurant within six (6) months from the date of this Agreement.
- (c) you do not open the Restaurant within twelve (12) months from the date of this Agreement;
- (d) you are judged a bankrupt or file a bankruptcy petition, become cash flow or balance sheet insolvent, make an assignment for the benefit of creditors, are unable to pay your debts as they become due in the ordinary course of business, or a petition under any bankruptcy law is filed by or against you, or a receiver or custodian is appointed for a substantial part of the assets of the Restaurant;
- (e) you abandon or fail to continuously and actively operate the Restaurant, or, without our prior written consent, permit any person other than a qualified employee designated by you and approved by us in writing, to operate the Restaurant in your absence;
- (f) the lease or sublease for the Restaurant is terminated or cancelled or you are unable to renew or extend the lease or sublease or you fail to maintain possession of the Restaurant premises unless you are permitted to relocate the Restaurant under Section 6.2 of this Agreement;
- (g) you or any of your owners is convicted of a felony, or a crime which substantially impairs the goodwill associated with the Marks or you or any of your owners engages in any conduct which, in our judgment, adversely affects the reputation of the Restaurant or the goodwill associated with the Marks or involves dishonesty, fraud, deceit, or misrepresentation;
- (h) you intentionally, recklessly, or with gross negligence under-report the Gross Sales of the Restaurant for any period or periods;

- (i) you or any of your owners violates any of the restrictions contained in Articles 19 or 20 of this Agreement;
- (j) you intentionally or on more than one occasion during the term of this Agreement, violate any Child Labor Laws in connection with your operation of the Restaurant;
- (k) an audit by us discloses an understatement of Gross Sales and you fail to pay to us the applicable royalty fee and Advertising and Marketing Fund Contribution and interest due within ten (10) days after receipt of the final audit report;
- (l) the interest of a deceased or permanently disabled person is not disposed of in accordance with the terms of this Agreement;
- (l) you or any of your owners fail on three (3) or more occasions during any twelve (12) month period to comply with any one or more provisions of this Agreement, including without limitation, your obligation to submit when due sales reports or financial statements, to pay when due the Royalty Fees, Advertising and Marketing Fund Contributions or other payments due to us or our affiliates or subsidiaries or any other creditors or suppliers of the Restaurant, whether or not such failure to comply is corrected after notice is delivered to you;
- (m) any of your assets or items used in the operation of the Restaurant are seized or you are otherwise denied the use of the property or access to the Restaurant because of your failure to pay any taxing authority or any amount due a creditor of the Restaurant, or because of any other act or omission of you or any of your owners; or, you fail to notify us of tax levy or delinquency; or,
- (n) you fail to cease operating the Restaurant, or fail to correct the conditions in the Restaurant causing a present threat of imminent danger to public health or safety, after notice to you as provided in Section 17.4 of this Agreement.

17.3. Termination By Us - After Opportunity to Cure.

We shall have the further right to terminate this Agreement effective upon delivery of notice to you, if:

- (a) you fail to obtain or maintain insurance required by us and you do not correct this failure within forty-eight (48) hours after written notice is delivered to you; provided, however, that we shall not exercise our right to terminate this Agreement if you immediately cease operating the Restaurant

and obtain all such insurance within ten (10) days after written notice is delivered to you;

- (b) you fail to comply with any provision of this Agreement or any specification, standard or operating procedure or rule prescribed by us which relates to the use of any Mark, safety and security, or the quality of proprietary menu items or other authorized food products or any beverage sold by you or the cleanliness and sanitation of the Restaurant and you do not correct this failure within seven (7) calendar days after written notice is delivered to you;
- (c) you fail to pay when due any amount owed to us, our affiliates or subsidiaries, or any creditor or supplier of the Restaurant or any taxing authority for federal state or local taxes (other than amounts being disputed through appropriate proceedings and subject to a good faith, bona fide dispute) and you do not correct such failure within ten (10) calendar days after written notice is delivered to you; or
- (d) you or any of your owners fails to comply with any other provision of this Agreement or any specification, standard or operating procedure and fail to correct this failure within thirty (30) calendar days after written notice is delivered to you.

17.4. Immediate Cessation of Operations.

In the event that the conditions of the Restaurant or operations at the Restaurant, in our judgment, present a threat of imminent danger to public health or safety, we may require the immediate cessation of operations at the Restaurant upon delivery of a notice to you. The notice shall contain the reason we believe immediate cessation of operations is required. The parties shall address the conditions and develop a plan to correct all deficiencies within seven (7) days of the delivery of notice.

17.5. Obligations Upon Termination or Expiration.

Upon termination or expiration of this Agreement, you agree to:

- (a) immediately return to us all copies of the Operating Manual;
- (b) take such action as may be required to cancel all assumed name or equivalent registrations relating to the use of any Mark;
- (c) notify the telephone company, postal service, and all listing agencies in writing of the termination or expiration of your right to use all telephone numbers, post office boxes, and all classified and other directory listings relating to the Restaurant and to authorize in writing the transfer of these to us or our franchisee or designee. You acknowledge that we have the sole

rights to and interest in all telephone numbers, post office boxes, and directory listings relating to any Mark, and you authorize us to direct the telephone company, the postal service, and all listing agencies to transfer all telephone numbers, post office boxes, and directory listings to us, our franchisee or designee and if you fail or refuse to do so, the telephone company, postal service, and all listing agencies may accept our direction as evidence of our exclusive rights in the telephone numbers, post office boxes, and directory listings and our authority to direct the transfer. Upon execution of this Agreement or at any time thereafter, you agree to execute any written authorizations or pre-approved authorizations in the form prescribed by us directing the telephone company, postal service (including the conditional assignment of telephone numbers attached to this Agreement as Exhibit E) and any listing agencies to transfer all telephone numbers, post office boxes, and directory listing to us, our franchisee or designee upon the occurrence of any such termination or expiration;

- (d) immediately pay all Royalty Fees, Advertising and Marketing Fund Contributions and other charges which are due and owing under this Agreement;
- (e) immediately cease identifying yourself as a Sticks Kebob Shop Restaurant or as being associated with the Sticks Kebob Shop System, including, without limitation, disabling and ceasing to permit the continued operation of any website relating to the Restaurant or the Sticks Kebob Shop System or which utilizes the Marks and removing the Sticks Kebob Shop Marks from Twitter, Facebook, Instagram and other social media and stop identifying yourself as being associated with the Sticks Kebob Shop System in all Social Media;
- (f) if you retain possession of the Restaurant premises, at your expense, make such reasonable modifications to the exterior and interior of the Restaurant (including signage, menu boards, job aids, product photos and the like) as we require to fully eliminate its identification and appearance as a Sticks Kebob Shop Restaurant. If you fail or refuse to fully de-identify the Restaurant to the extent and in the manner required by this Agreement, we may, at our option and in addition to other rights and remedies we may have, make the modifications that are contemplated by this Agreement on your behalf and you agree to promptly pay and reimburse us on demand for any costs incurred by us or our designee including, without limitation, the proportionate compensation of our employees or our designee's employees who devote time and render services in the de-identification of the Restaurant; and,
- (g) make the Restaurant accessible and available for us to operate pursuant to Section 18.7 of this Agreement if we elect to do so.

17.6. Statutory Limitations.

If the state in which the franchisee's relevant Restaurant is located has enacted a franchise relationship law or statute restricting our right to terminate or non-renew this Agreement beyond the limitations set forth in this Agreement, then that law shall supersede the provisions of this Agreement only when and to the extent that the relevant franchise relationship law is in effect, applies to the relationship and location covered by this Agreement, has not been validly waived by the franchisee, and has not been deemed invalid or unenforceable by a court of competent jurisdiction.

18. OPTION TO PURCHASE RESTAURANT.

18.1. Option.

Upon the termination or expiration of this Agreement, except termination by you for cause, we shall have the exclusive option, but not the obligation, to purchase the assets of the Restaurant. For purposes of this section, the term "assets" shall mean the equipment, inventory, leasehold interests and improvements and favorable rights and covenants of the Restaurant, but exclusive of any vehicles other than trucks for serving proprietary menu items and other authorized food and beverage products as defined in Paragraph 19.1. Our option shall commence upon expiration of this Agreement or on the date of termination as applicable, and shall continue for thirty (30) days thereafter, subject to extension as provided in this Section. You agree that if the termination is stayed, either by us or by judicial proceedings, or if we are not permitted to manage the Restaurant pursuant to Section 18.7, we will not be able to exercise our option within the 30 day period and you also agree that under those circumstances our option to purchase shall be extended, without further notice to you, for an additional time which shall include the entire time we are unable to exercise our option.

18.2. Purchase Price Under This Option.

The purchase price for these assets and the covenants shall be equal to fifty percent (50%) of Gross Sales ("Base Amount") of the Restaurant during the fifty two (52) full weeks immediately preceding the date of termination or expiration. The purchase price shall be allocated among the assets and covenants in the manner prescribed by us.

If the Restaurant has been in operation less than fifty two (52) full weeks, the option price shall be the cost of the Restaurant plus twenty percent (20%). The term "cost" shall be defined as your documented expenditures for the equipment and leasehold improvements of the Restaurant.

18.3. Deductions From Purchase Price.

In the event we elect to purchase the assets of the Restaurant, the purchase price will be reduced by:

- (a) the total current and long term liabilities of the Restaurant assumed by us as described below;

- (b) the amount necessary to upgrade and renovate the Restaurant to meet our then current standards for a Sticks Kebob Shop Restaurant; and,
- (c) our reasonable attorneys' fees and litigation costs and expenses, including without limitation expert witness fees, incurred in connection with enforcing this Agreement or in securing possession of the Restaurant.

We will assume all current and long-term liabilities, whether or not included on your financial statements up to the amount of the purchase price subject, however, to all defenses available to you. Further, the amount we charge for upgrading and renovating the Restaurant will not exceed one percent (1%) of the Gross Sales of the Restaurant from the date of opening to the date of termination or expiration reduced by an amount equal to the total expenditures made by you for renovation and upgrading of the Restaurant at our request up to the date of termination or expiration.

18.4. Payment of Purchase Price.

The balance of the purchase price, after deductions described above will be payable as follows: twenty percent (20%) of the balance at the time of closing and the remainder in sixty (60) equal monthly installments of principal plus interest at a rate of interest per annum equal to the prime lending rate as published in the Wall Street Journal determined as of the closing date with annual adjustments based on the prime rate charged on each anniversary date. The first payment will be due on the first day of the second succeeding calendar month following closing and the remaining payments on the first day of each month thereafter. On the first payment date, interest from the date of closing shall also be paid. If we elect to pay the entire purchase price at closing, we shall have the right to escrow such portion of the purchase price as we deem appropriate for a period of six (6) months to cover liabilities of the Restaurant. We shall notify you of claims asserted by creditors of the Restaurant against the escrow monies. You shall have forty-eight (48) hours to settle any claim with such creditor prior to disbursement of funds from the escrow. If there is a bona fide good faith dispute between you and a creditor of the Restaurant, you shall have thirty (30) days to reach a settlement with any such creditor as to the amount owed before we will disburse any escrow monies to such creditor. If you are unable to resolve the discrepancy with the creditor within the thirty (30) day period, we shall have the right to use the escrow monies to satisfy the claim of any such creditor. At the end of such six (6) month period, any remaining purchase price shall be remitted to you along with a statement prepared by us indicating the manner in which these funds were expended.

18.5. Real Property.

- (a) In the event you or your owners own the real property on which the Restaurant is located, and such property is not a multi-tenant unit, we will also have the exclusive option to purchase this property. We shall exercise this option within the same period of time as provided in Section 18.1, as that time may be extended. The purchase price will be the fair market value as determined by an independent appraiser selected by both of us. If we cannot agree on an independent appraiser, we each shall select an independent appraiser who shall select a third independent appraiser. The independent appraiser selected by our appraisers shall determine the fair market value of the real

property and his determination shall be final and binding on the parties. The purchase price will be payable in full at the closing minus customary pro-rations including the pay-off of existing mortgage liens.

- (b) If we do not elect to purchase the real property, or if the property is in a multi-tenant unit, we or our designee will have the option to enter into a lease for a term of not less than five (5) years with an option by us or our designee to extend the term of the lease for two additional terms of five (5) years each. The lease shall contain the terms and conditions contained in the form of lease then used by us or our affiliates in connection with Sticks Kebob Shop Restaurants owned and operated by us or our affiliates. The rental under the lease for the initial five (5) year term shall be the fair rental value of the property as determined by an independent appraiser selected in the manner described above. The rental shall be increased during the second five (5) year option term by the percentage that the National Consumer Price Index for Urban Wage Earnings and Clerical Workers as determined by the United States Department of Labor for the region in which the Restaurant is located (or a comparable index if such Index is not then being issued) has increased from the commencement date of the initial term until the last day of the initial term of the lease.

18.6. Closing.

The closing shall occur within thirty (30) days after we exercise our option to purchase the assets and/or real property or such later date as may be necessary to comply with applicable bulk sales or similar laws. At the closing, we both agree to execute and deliver all documents necessary to vest title in the purchased assets and/or real property in us free and clear of all liens and encumbrances, except those assumed by us and/or to effectuate the lease of the Restaurant premises. You also agree to provide us with all information necessary to close the transaction. We reserve the right to assign our option to purchase the Restaurant (and the real property to the extent applicable) or designate a substitute purchaser for the Restaurant. We agree, however, to be responsible for and shall guarantee payment of any deferred portion of the purchase price as provided in Section 18.4 of this Agreement in the event we designate a substitute purchaser of the assets of the Restaurant. If you do not execute and deliver any documents required, by execution of this Agreement, you irrevocably appoint us as your lawful attorney-in-fact with full power and authority to execute and deliver in your name all these documents. You also agree to ratify and confirm all of our acts as your lawful attorney-in-fact and to indemnify us and hold us harmless from all claims, liabilities, losses or damages suffered by us in so doing.

18.7. Operation During Option Period.

We will have the right, upon written notice to you, to manage, or designate one of our affiliates to manage, the Restaurant during the period in which we have the option to purchase the Restaurant as provided in Section 18.1 and for the period following the exercise of our option and prior to the closing, on the same terms and conditions as described in Section 20.7.

19. RESTRICTIVE COVENANTS.

19.1. In-Term Covenant.

You agree that, during the term of this Agreement, you will not, directly or indirectly for the benefit of you or your owners, or through or on behalf of or in conjunction with any other person, partnership or corporation, own, engage in, be employed in sales management or purchasing by, advise, assist, invest in, franchise, make loans to, or have any other interest, whether financial or otherwise, in: (i) any other restaurant or business that: (a) is a Mediterranean-themed fast-food, casual, quick-casual or kebob-style eating establishment, or (b) otherwise generates twenty percent (20%) or more of its revenue from the combined sale of kebobs, flatbreads and flatbread wraps, and gyros, or any other approved products that we permit you to sell at your Restaurant, excluding receipts from the sale of alcoholic beverages, or restaurant business which offers products and services that are the same or substantially similar to the approved products and services that you and our franchisees are authorized to provide, now or in the future, at Restaurant locations (each a “Competing Business”)(except for other Sticks Kebob Shop Restaurants operated under franchise agreements entered into with us or other Sticks Kebob Shop Restaurants in which you or your owners have an ownership interest); or (ii) any business which provides consulting services too, or grants franchises or licenses for, a Competing Business.

19.2. Post-Term Covenant.

You agree that, for a period of two (2) years after termination or expiration of this Agreement, or the date on which you cease to operate the Restaurant or use the Marks, whichever is later, you will not, directly or indirectly for the benefit of you or your owners, or through or on behalf of or in conjunction with any other person, partnership or corporation, own, engage in, be employed by, advise, assist, invest in, franchise, make loans to, or have any other interest, whether financial or otherwise, in any Competing Business within ten (10) miles of the premises of the Restaurant (except for other Sticks Kebob Shop Restaurants operated under franchise agreements with us or other Sticks Kebob Shop Restaurants in which you or your owners shall have an ownership interest) or within ten (10) miles of any Sticks Kebob Shop Restaurant in operation or under development at the time of termination or expiration of this Agreement, or the date on which you cease to operate the Restaurant or use the Marks, whichever is later, excluding ownership of less than ten percent of the stock of shares in any corporation whose stock is publicly traded. The covenant contained in this section shall not be deemed to impair, modify or change any covenant not to compete contained in any agreement for the purchase and sale of the Restaurant.

19.3. Ownership of Public Companies.

The covenants contained in this Article 19 shall not apply to ownership of less than a ten percent (10%) beneficial interest in the outstanding equity securities of any corporation whose stock is publicly traded.

19.4. Solicitation of Employees.

You agree that during the term of this Agreement you will not, directly or indirectly, solicit or employ any person who is employed by us, by any entity controlled by or affiliated with us or

by any other of our franchisees if that solicitation or employment results in that person terminating his or her present employment and working for you, or if that solicitation or employment results in that person working in or for or operating a Competing Business.

19.5. Confidential Information and Trade Secrets; New Processes, Concepts, Improvements.

You agree to maintain the absolute confidentiality of the Operating Manual and all other information concerning the Sticks Kebob Shop System ("Confidential Information"), whether provided by us or a third party, during and after the term of the franchise, to disclose this information to the other employees of the Restaurant only to the extent necessary for the operation of the Restaurant in accordance with this Agreement, and that you will not use the Operating Manual or such other information in any other businesses or in any manner not specifically authorized or approved by us in writing. All historical data relating to the sale of all food and beverage products at the Restaurant also shall be deemed Confidential Information and (a) you shall not use the Confidential Information in any other business or capacity; and, (b) you shall maintain the absolute secrecy and confidentiality of the Confidential Information.

Ownership of all copyrights, patents, trade secrets, confidential business information, and business methods developed or paid for by us or our affiliates relating to the Sticks Kebob Shop System (the "Sticks Kebob Shop Proprietary Materials") will remain with us or our affiliates. Ownership of all copyrights, patents, trade secrets, confidential business information, and business methods developed by you, any Controlling Person, or any owner of more than 19.9 percent of the stock of any Approved Entity relating to the Sticks Kebob Shop System or products (also "Sticks Kebob Shop Proprietary Materials") will belong and be assigned to us or our affiliates.

You acknowledge and agree that certain information, including (i) current customer and prospective customer names and addresses, (ii) information about credit extensions to customers, (iii) customer service purchasing histories, (iv) rates charged to customers, and (v) sources of suppliers and purchasing arrangements with suppliers, also constitute the trade secrets and Confidential Information owned solely by us. You may divulge such Confidential Information only to your employees who must have access to it in order to perform their employment obligations. You must require your Controlling Person and any personnel having access to any of our Confidential Information to sign an agreement stating that they will maintain the confidentiality of information they receive in connection with their employment and restricting their right to work for a competitor while they are employed by you. Such agreement, which will be in a form that we prescribe, will identify us as a third party beneficiary to the agreement and will give us independent enforcement rights.

Nothing contained herein shall prevent you from discussing with potential franchisees your experience as a Sticks Kebob Shop franchisee provided that you do not reveal or discuss Confidential Information or Sticks Kebob Shop Proprietary Materials.

19.6. Owners of Approved Entity.

If you are an Approved Entity, then each owner, by executing this Agreement, shall be bound by the provisions contained in this Agreement, including the restrictions set forth in this

Article 19. Further, a violation of any of the provisions of this Agreement, including the covenants contained in this Article 19, by any owner shall also constitute a violation by you of your obligations under this Agreement, because you represent and warrant each of these Owners' compliance with this Agreement.

19.7. Distribution of Products Related to the Sticks Kebob Shop System.

During and after the term of this Agreement, you and your owners agree not to sell or otherwise distribute any products or items bearing any of the Marks or which are used at any time in connection with any advertising, promotional or operational program other than to customers of your Restaurant in the ordinary course of business or to another Sticks Kebob Shop franchisee in good standing at the time of any proposed transfer approved by us.

19.8. Ownership Structure.

You agree to fully comply with all rules, policies and procedures from time to time prescribed by us relating to the ownership structure of an Approved Entity. If you are an Approved Entity, you agree that the Controlling Person who has been approved by us will at all times during the term of this Agreement own and control forty percent (40%) or more and the largest share of the absolute voting and ownership interests of the Approved Entity and own the largest percentage equity interest therein, unless the Controlling Person obtains our prior written approval for a different ownership structure. You also agree to submit to us for our review and approval any proposed change in ownership structure or percentages before attempting any change in the ownership or control of the Approved Entity. In the interest of preventing stalemates and disputes, neither the franchisee nor the Approved Entity may be owned or controlled under any arrangement whereby the ownership, control or voting rights are owned or controlled by two persons or entities, or one person and one entity, on a 50/50 basis.

20. ASSIGNMENT.

20.1. By Sticks Kebob Shop.

This Agreement is fully assignable by us and the assignee or other legal successor to our interests will be entitled to all of the benefits of this Agreement.

20.2. By Franchisee.

This Agreement is personal to you and your owners (if you are an Approved Entity). Accordingly, neither you nor any of your owners may assign or transfer this Agreement, any interest in this Agreement or, if you are an Approved Entity, any interest in an Approved Entity except as specifically authorized under this Agreement. A transfer of ownership of the Restaurant (or its assets) may only be made in conjunction with a transfer of this Agreement. Any attempted assignment or transfer not in accordance with this Agreement shall have no effect and shall constitute a material breach of this Agreement.

20.3. Assignment to an Approved Entity.

We will allow you to assign this Agreement and the Restaurant (and its assets) to an Approved Entity for the convenience of ownership of the Restaurant, provided that:

- (a) the Approved Entity conducts no business other than the operation of the Restaurant or other Sticks Kebob Shop Restaurants (or other related activities authorized under this Agreement);
- (b) the Approved Entity is actively managed by you;
- (c) the person designated as the Controlling Person owns and controls not less than forty percent (40%) and the largest share of such partnership, the equity and voting power of all classes of issued and outstanding capital stock of such corporation, the membership interest in the limited liability company or the voting and ownership interests of such entity; and,
- (d) all owners meet our requirements as established from time to time by us and agree to guarantee the obligations of the Approved Entity under this Agreement and to be bound by the terms of this Agreement in the manner prescribed by us.

If you are an Approved Entity or if this Agreement is assigned to an Approved Entity, you must comply with the requirements set forth in this Section 20.3 throughout the term of this Agreement. The organization documents of any Approved Entity owning the franchise, including all stock certificates, shall recite that they are subject to all restrictions contained in this Agreement. We shall also have the right to require, as a condition of any assignment of this Agreement to an Approved Entity or the operation of the franchise by an Approved Entity, that the owners enter into a buy/sell agreement among themselves in a form and containing such terms as we prescribe for transfers of ownership interests in such Approved Entity. You shall provide us with all documents to be executed in connection with any such assignment and we shall use our reasonable efforts to approve or disapprove these within thirty (30) days after receipt.

20.4. Assignment or Transfer to Others.

We will permit sales, transfers or assignments of this Agreement or, if you are an Approved Entity, of an ownership interest in the Approved Entity to others provided:

- (a) you (and your owners) are not in default under this Agreement or any other agreement with us or our subsidiaries or affiliates or any other creditor or supplier of the Restaurant;
- (b) the proposed transferee or assignee (and its Controlling Person and all other owners if it is an Approved Entity) meets our then-applicable standards for franchisees or owners;

- (c) the proposed transferee or assignee (and its owners) is not engaged in any other Competing Business activity without our prior written consent, except other Sticks Kebob Shop Restaurants;
- (d) the proposed transferee or assignee (and its owners if it is an Approved Entity) must sign our then-current form of standard franchise agreement for a term equal to the remaining term of this Agreement or, at our election, the then-current term if longer;
- (e) the proposed transferee or assignee (or the person designated by us) must complete all required training to the extent required by us;
- (f) at our request, the proposed transferee or assignee refurbishes the Restaurant in the manner and subject to the provisions prescribed in Articles 8 and 14;
- (g) the proposed transferee or assignee pays us a transfer fee of equal to the greater of: (A) \$5,000.00, or (B) ten percent (10%) of the then-applicable single Restaurant initial franchise fee (whichever is higher); and,
- (h) this Agreement is terminated according to the terms of our customary form of mutual termination agreement.

You must provide us with all documents to be executed by you and/or your owners and the proposed purchasers in connection with any transfer or assignment at least thirty (30) days prior to signing.

20.5. Death or Permanent Disability.

Upon your death or permanent disability or the death or permanent disability of the Controlling Person, this Agreement or the ownership interest of such deceased or permanently disabled Controlling Person must be transferred to, a party approved by us. Any transfer, including, without limitation, transfers by devise or inheritance or trust provisions, shall be subject to the same conditions for transfers which are contained in this Agreement. Except as otherwise prescribed by us in writing, your personal representative or the personal representative of such Controlling Person shall submit to us a proposal meeting the requirements for transfer of this Agreement or such ownership interest within one hundred and twenty days (120) days of your death or permanent disability or the death or permanent disability of such Controlling Person. We agree to communicate our approval or disapproval of any such proposal within fifteen (15) days of receipt. We will not unreasonably withhold our consent to the transfer of this Agreement or such ownership interest to your spouse, heirs or relatives or to the spouse, heirs or relatives of such deceased or permanently disabled Controlling Person, provided the requirements of Section 20.4 are satisfied. We agree to make our primary members and executive team (or their successors or equivalents) available during such one hundred and twenty (120) day period to evaluate any proposal regarding transfer of this Agreement or such ownership interest, including any request that we consider purchasing the franchise or such ownership interest. Your personal representative

or the personal representative of such deceased or permanently disabled Controlling Person shall complete the transfer of this Agreement or such ownership interest within sixty (60) days from the date of our approval of any such proposal. Upon the death of any other owner, the interest of such owner shall be transferred within a reasonable time to a person meeting our requirements. All such transfers must also comply with Section 20.4 of this Agreement. Your or any of your owners' failure to transfer the interest in accordance with the provisions of this Section or attempted a transfer a violation of this Agreement, shall be considered a material breach of this Agreement.

20.6. Definition of Permanent Disability.

You or your Controlling Person, will be deemed to have a "permanent disability" if you or your Controlling Person's usual, active participation in the Restaurant as contemplated by this Agreement is for any reason curtailed or prevented for a substantially continuous period of six (6) months, or if you become imprisoned, hospitalized, a resident of a mental institution, or in a persistent vegetative state for a substantially continuous period of six (6) months.

20.7. Operation by Us After Death or Permanent Disability.

We shall have the right to appoint a manager for the Restaurant if in our judgment the Restaurant is not being managed properly after your death or permanent disability or the death or permanent disability of the Controlling Person. Our right to appoint a manager for the Restaurant includes the right to temporarily or permanently cease operations at the Restaurant, if in our reasonable judgment continued operation of the Restaurant will adversely affect the Marks, the long term reputation of the Restaurant or the Sticks Kebob Shop System, or present a risk to public health, welfare and safety, including the well-being of the employees of the Restaurant. All funds from the operation of the Restaurant during the management by our appointed manager will be kept in a separate fund, and all expenses of the Restaurant including compensation, other costs, and travel and living expenses of our manager will be charged to this fund. The Royalty Fee and Advertising and Marketing Fund Contributions payable under this Agreement and all other financial contributions owed under this Agreement shall continue during the period in which the Restaurant is managed on your behalf. In managing the Restaurant, our obligation will be to use commercially reasonable efforts in our reasonable business judgment to ensure the Restaurant is properly managed, and neither we nor our affiliates will be liable for any debts, losses or obligations of the Restaurant, to any of your creditors for any products, materials, supplies or services purchased by the Restaurant prior to during the time of management by our appointed manager. If the separate fund that is established is insufficient to pay the expenses of the Restaurant, we will notify you or your executor, administrator, conservator or other personal representative and this person must deposit in the fund within five (5) business days, any amount required by us to attain a reasonable balance in the fund.

20.8. Our Right of First Refusal.

If you or your owners propose to sell all or any part of the Restaurant (or its assets) or, if you are an Approved Entity, any ownership interest in an Approved Entity, or you or your owners obtain a bona fide, executed written offer to purchase this interest, you or your owners are obligated to properly notify us and deliver a copy of any bona fide offer to us along with all documents to be executed by you or your owners and the proposed assignee or transferee. Our right of first

refusal shall commence upon the date of our receipt of the following: (i) the bona fide, executed written offer to purchase; (ii) all documents to be executed by you or your owners and the proposed assignee or transferee; (iii) all documents related to the operation of the Restaurant which you are required to provide us, including, but not limited to a current copy of the lease for the Restaurant and such financial statements as are required of you under Section 13.2 of this Agreement; and (iv) your notice that you are specifically submitting the documents to give us the right to exercise our right of first refusal, and shall continue for a period of thirty (30) days thereafter. Failure to submit any one or more of the items, including the notice of the purpose of the submission, shall result in our right of first refusal being extended until 30 days after we receive all of the required documents and the notice. We shall exercise the right to purchase the Restaurant (or its assets) or such ownership interest for the price and on the terms and conditions contained in the offer by giving written notice to you or your owners. We may substitute equivalent cash for any form of payment proposed in such offer or designate a substitute purchaser for the Restaurant (or the assets) or the ownership interest being offered, provided that we will assume responsibility for the performance of any other purchaser we may designate. If the offer is to purchase the interest of a Controlling Person and is for less than all of the outstanding interests of the Approved Entity, we shall also have the right, during the same period of time described above and upon written notice to the other owners, to purchase the remaining shares of capital stock, partnership interest or membership interest at a per share or per unit or interest price equivalent to the price being offered under the bona fide offer to the Controlling Person. If we do not exercise this right of first refusal, the offer may be accepted by you or your owners, subject to our prior written approval as provided in this Agreement. If the offer is not accepted by you or your owners, within sixty (60) days, we will again have the right of first refusal to purchase the Restaurant as described above. This section will not apply to transfers made in accordance with Section 20.3 of this Agreement.

21. CONTRACT INTERPRETATION AND ENFORCEMENT.

21.1. Effect of Waivers.

No waiver by us of any breach or a series of breaches of this Agreement shall constitute a waiver of any subsequent breach or waiver of the performance of any of your other obligations under this Agreement. Our acceptance of any payment from you or the failure, refusal or neglect by us or you to exercise any right under this Agreement or to insist upon full compliance with our or your obligations under this Agreement or with any specification, standard or operating procedure or rule will not constitute a waiver of any provision of this Agreement. We cannot waive any default, breach or condition of this Agreement except through a signed writing signed by duly authorized officer of both Sticks Kebob Shop and by the Franchisee.

21.2. Cost of Enforcement.

If any legal or equitable action is commenced, either to challenge, interpret, or to secure or protect our rights under or to enforce the terms of this Agreement, in addition to any judgment entered in our favor, we shall be entitled to recover such reasonable attorneys' fees, costs, expenses and expert witness fees as we or anyone acting on our behalf may have incurred together with court costs and expenses of litigation.

21.3. Indemnification.

If we or any of our subsidiary or affiliated companies or any of our or their agents or employees are required to produce records or testify at trial or in deposition or are subjected to any claim, demand or penalty or become a party to any suit or other judicial or administrative proceeding brought by any person or persons (including your employee or prior employee) or any other person or entity by reason of any claimed act or omission by you, your employees or agents, or by reason of any act or omission occurring on or off the Restaurant premises, or while on the way to or from the Restaurant, by reason of an act or omission with respect to the business or operation of the Restaurant, including but not limited to acts or omissions arising out of the maintenance or use of a motor vehicle, you shall defend and indemnify and hold us, our subsidiary and affiliated companies, or any of our or their agents or employees, harmless against all judgments, settlements, penalties, and expenses, including attorney's fees, expert witness fees, court costs and other expenses of litigation, arbitration or administrative proceedings, incurred by or imposed on us, our subsidiary and affiliated companies, or any of our or their agents or employees, in connection with the testimony, production, investigation or defense relating to such claim or litigation, arbitration or administrative proceedings. Your indemnification obligations described above will continue in full force and effect after, and notwithstanding, the expiration or termination of this Agreement.

21.4. Construction and Severability.

All references in this Agreement to the singular shall include the plural where applicable, and all references to the masculine shall include the feminine and vice-versa. If any part of this Agreement for any reason shall be declared invalid, such decision shall not affect the validity of any remaining portion, which shall remain in full force and effect. If any applicable law or rule requires a greater prior notice of the termination of or election not to renew this Agreement, or the taking of some other action than is required under this Agreement, the prior notice or other requirements required by this law or rule shall be substituted for the requirements of this Agreement while and to the extent those laws or rules remain in effect and applicable to the Restaurant and its territory or Protected Territory and have not been effectively waived by the franchisee or declared invalid or inapplicable by any court of competent jurisdiction. If any covenant in this Agreement which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited and/or length of time, but would be enforceable by reducing any part or all thereof, the parties agree that same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought.

21.5. Scope and Modification of Agreement.

This Agreement constitutes the entire agreement between the parties and supersedes all prior and contemporaneous oral or written agreements or understandings of the parties regarding the subject matter of this Agreement for the Restaurant at issue. No modification, amendment or waiver of this Agreement or any of its terms or provisions shall be valid or binding unless it is set forth in a writing signed by the party to be charged with surrendering rights or benefits of incurring additional obligations. No modification, waiver, termination, rescission, discharge or cancellation of this Agreement shall affect the right of any party to enforce any claim or right under this

Agreement, whether or not liquidated, which occurred prior to the date of such modification, waiver, termination, rescission, discharge or cancellation. Nothing contained in this Agreement or in any related agreement is intended to disclaim any representation made by Sticks Kebob Shop in any franchise disclosure documents.

21.6. Dispute Resolution, Mandatory Mediation, Arbitration and Governing Law.

- (a) Choice of Law. The terms and provisions of this Agreement shall be interpreted in accordance with and governed by the laws of the State of Virginia, excluding its choice of law rules and excluding the Virginia Franchise Act as to any Restaurant not physically located in Virginia.
- (b) Mediation and Arbitration. Any and all disputes arising from or relating to the parties' relationship or this Agreement shall be subject to mandatory mediation which shall be conducted and completed in Charlottesville, Virginia within thirty (30) days of written demand therefore. Any disputes not resolved by mandatory mediation shall be resolved by binding arbitration within 120 days of the initial written demand therefore. The arbitration hearing shall be held in Charlottesville, Virginia pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The arbitration award shall be reviewable only by state or federal courts in or having jurisdiction over Charlottesville, Virginia only for clear error of fact or law and on any additional statutory grounds for vacationing or reversing an arbitration award. Franchisor shall be entitled to recover its reasonable attorneys' fees and litigation costs and expenses including expert witness fees if it is the substantially prevailing party in any arbitration or litigation relating to this Agreement or the parties' relationship. Nothing contained herein shall preclude any party from commencing a suit in court for temporary or preliminary injunctive relief to prevent irreparable harm pending the arbitration decision, provided that any such suit for temporary or preliminary injunctive relief shall be commenced and maintained exclusively in state or federal courts in or having jurisdiction over Charlottesville, Virginia.
- (c) Third-Party Beneficiaries. Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of this Agreement and the mediation and other dispute resolution provisions contained herein, each having authority to specifically enforce the right to mediate and litigate claims asserted against such person(s) by Franchisee.
- (d) Injunctive Relief. Nothing in this Agreement will prevent Franchisor from seeking to obtain injunctive relief, without posting a bond, against threatened conduct that will cause Franchisor loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions. If injunctive relief is granting, Franchisee's only remedy will be court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, Franchisee expressly waives all claims for damages Franchisee incurred as a result of the wrongful issuance.

- (e) JURY TRIAL AND CLASS ACTION WAIVER. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES. THE PARTIES AGREE THAT ALL PROCEEDINGS, WHETHER LITIGATION OR MEDIATION, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE AND FRANCHISEE'S PRINCIPALS AND YOU, AND FRANCHISOR OR ITS AFFILIATES OR EMPLOYEES, MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER PERSON OR ENTITY.
- (f) Limitation on Action. Franchisee further agrees that no cause of action arising out of or under this Agreement may be maintained by Franchisee unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after the Franchisee becomes aware of facts or circumstances reasonably indicating that such Franchisee may have a claim against the Franchisor, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense or set-off.
- (g) Franchisee Waiver. Franchisee hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.
- (h) Waiver of Punitive Damages. Franchisee waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which it may have against Franchisor, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that Franchisee's recovery shall be limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, Franchisee's waiver of any right to claim any consequential damages.
- (i) Costs and Attorney's Fees. If Franchisee is in breach or default of any monetary or non-monetary material obligation under this Agreement or any related agreement between Franchisee and Franchisor and/or Franchisor's affiliates, and Franchisor

engages an attorney to enforce Franchisor's rights (whether or not formal judicial proceedings are initiated), Franchisee must pay all reasonable attorneys' fees, court costs and litigation expenses Franchisor incurs. If Franchisee institutes any legal action to interpret or enforce the terms of this Agreement, and Franchisee's claim in such action is denied or the action is dismissed, Franchisor is entitled to recover Franchisor's reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

21.7. Notices.

All written notices permitted or required to be delivered by the provisions of this Agreement or of the Operating Manual shall be deemed so delivered when delivered to you by hand, three (3) days after having been placed in the United States Mail by Registered or Certified Mail, one (1) day after being placed in the hands of a commercial courier service for next day delivery, one (1) day after transmission by facsimile or other electronic system (including electronic mail), and addressed to us at our most current principal business address or to you at the most current principal business address or home address of which we have been notified in writing.

You must maintain and keep us informed of a valid e-mail address for the franchisee and any Controlling Person throughout the term of this Agreement.

21.8. Independent Contractors.

The parties to this Agreement are independent contractors and no training, assistance or supervision which we may give or offer to you shall be deemed to negate such independence or create a legal duty on our part. Neither we nor any of our affiliates shall be liable for any damages to any person or property arising directly or indirectly out of the operation of the Restaurant, including but not limited to those damages which may occur while your employees are performing or returning from errands or work. Nor shall we or any of our affiliates have any liability for any taxes levied upon you, your business, or the Restaurant. The parties further acknowledge and agree the relationship created by this Agreement and the relationship between us is one of independent contractors at arms length, and not a fiduciary relationship nor one of principal and agent. Furthermore, neither we nor our affiliates have any relationship with your employees and have no rights, duties, or responsibilities with regard to their employment by you. You acknowledge and agree that you do not have the authority to act for us or on our behalf or to contractually bind us or our affiliates to any agreement. No party to this Agreement shall have any authority to assume any liability for the acts of the other, or to alter the legal relationships of the other. Only the named parties to this Agreement shall have rights hereunder and you shall not have any rights under any other franchise agreement to which you are not a party.

21.9. Acknowledgment.

You acknowledge that you have conducted an independent investigation of the business contemplated by this Agreement and recognize that it involves business risks making the success of the venture largely dependent upon your business abilities and also upon trends and external market and demographic conditions. We expressly disclaim the making of, and you acknowledge

that you have not received or relied upon, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement. In addition, you acknowledge that you have conducted an independent investigation of the Restaurant's Protected Territory and are familiar with the boundaries and the nature and extent of it. You also acknowledge and agree that this Agreement may not be modified, amended or changed, and that our rights may not be waived, except by a writing signed by all parties.

21.10. Authority and Binding Effect.

You, your Approved Entity, your Controlling Person, and each of your Owners represent and warrant that you and each and all of them have the legal right with respect to one another and third parties to enter into this Agreement and into the Covenants of Owners and to be involved in the ownership and operation of Restaurant, that doing so will not violate any contractual or legal obligations or duties to one another nor to any third party, and that you will not use any trade secrets, confidential business information, copyrighted or patented materials, or other proprietary materials or information of any third party in establishing or operating the franchised business without a written license to do so. This Agreement is binding upon the parties and their heirs, approved assigns and successors in interest.

21.11. Effective Date of this Agreement.

This Agreement shall become effective upon the date of its acceptance and execution by us.

[Remainder of this page intentionally left blank. Signature page follows.]

IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HERETO HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.

FRANCHISEE:

(Individual, Partnership or Corporation Name)

By: _____

Title: _____

Date: _____

FRANCHISOR

Sticks Franchising, LLC

By: _____

Title: _____

Date: _____

EXHIBIT A

COVENANTS OF OWNERS

The undersigned individuals (the "Owners") represent and warrant to Sticks Franchising, LLC ("Sticks Kebob Shop") that they are all of the owners of Franchisee and all or the persons who otherwise have a direct or indirect interest in the success of Franchisee and that the person designated below as the Controlling Person is the Controlling Person of the Approved Entity under this Agreement. Further, to induce Sticks Kebob Shop to enter into this Agreement and grant the franchise to Franchisee, each of the Owners hereby jointly and severally unconditionally guarantees the payment and performance by Franchisee of all of its obligations, indebtedness, and liabilities of Franchisee to Franchisor, direct or indirect, absolute or contingent, of every kind and nature, whether now existing or incurred from time to time hereafter under the Franchise Agreement and agrees to be bound by all of the provisions of this Agreement, including, without limitation, the restrictions contained in Articles 18, 19 and 20 of this Agreement.

The Owners waive presentment, demand, notice of dishonor, protest, and all other notices whatsoever, including without limitation notices of acceptance hereof, of the existence or creation of any liabilities of Franchisee, of the amounts and terms thereof, of all defaults, disputes, or controversies between Franchisor and Franchisee and of the settlement, compromise, or adjustment thereof. This guarantee is primary and not secondary, and will be enforceable without Franchisor having to proceed first against Franchisee or against any or all of the Owners or against any other security for the liabilities of Franchisee. This guarantee will be effective regardless of the insolvency of Franchisee by operation of law, any reorganization, merger, or consolidation of Franchisee, or any change in the ownership of Franchisee.

Each Owner also acknowledges and agrees that:

(1) The Approved Entity shall be managed solely by the Controlling Person and that the Controlling Person may not be removed by any action of the Approved Entity or its Owners without the prior written consent of Sticks Kebob Shop;

(2) The Controlling Person shall at all times during the continuation of this Agreement have not less than forty percent (40%) and the largest share of the equity and voting power and/or interests in the Approved Entity and any provision or term in the governing or establishing documents for the Approved Entity or any agreement between the Owners to the contrary is and shall be void for all purposes;

(3) The establishing or governing documents for the Approved Entity do not provide for a "supermajority" or other voting structure that would require the Controlling Person to have more than 51% of the equity and voting structure in order to maintain control over the Approved Entity and that no Owner(s) has any type of "veto" rights and that no voting trusts have been established which would restrict or limit the voting control of the Controlling Person. If such provision or term exists in the establishing or governing documents or other agreements, the Owners agree that it shall be void for all purposes;

(4) The Controlling Person has, as of the date of execution of this Agreement, the option, but not the obligation, exercisable on thirty (30) days' notice, to purchase any or all of the equity and voting interest owned by the other Owners for a sum certain which has been determined prior to the execution of this Covenant of Owners (which may be modified by the Owners). If for any reason all Owners have not agreed upon a purchase price, the undersigned Owner(s) agree that the purchase price for their interest shall be calculated by determining the formula price in this

Agreement for all of the Sticks Kebob Shop Restaurants which the Approved Entity operates and subtracting from such formula price all of the current and long term liabilities of Franchisee. The result of such computation shall be multiplied by the ratio that the Owner's interest bears to all outstanding ownership interests in the Approved Entity. Upon tendering the purchase price for each Owner's interest, the Owners hereby agree to convey such interest and such commitment shall be subject to enforcement by any court of competent jurisdiction through specific performance;

(5) If the Controlling. Person receives a bona-fide offer and desires to sell the franchise, the Franchisee can require the other Owners to sell his/her interest in accordance with the terms of the bona-fide offer.

(6) None of the Owners has made, provided, received or taken any security interest in this Agreement or any pledge of any equity or interest in the Approved Entity and no such security interest or pledge shall be made, provided, received or taken during the continuation of this Agreement.

(7) Neither the Franchisee nor the Approved Entity are or will be owned or controlled under any arrangement whereby the ownership, control or voting rights are owned or controlled by two persons or entities, or one person and one entity, on a 50/50 basis.

These Covenants of Owners are intended to modify and supersede any provisions of the establishing or governing documents for the Approved Entity or other agreement between the Owners which are inconsistent with its terms. In the event of any inconsistency between these Covenants of Owners and any other agreement or governing or establishing document, these Covenants of Owners shall control. The undersigned acknowledge that the execution of these Covenants of Owners are conditions to approval by Sticks Kebob Shop of assignment or entry of this Agreement with Sticks Kebob Shop, and Sticks Kebob Shop shall be entitled to refuse to acknowledge or recognize any provisions of the governing or establishing documents of the Approved Entity which are inconsistent with the terms of these Covenants of Owners or this Agreement. Each of the Owner(s) agrees that in the event that any of the governing or establishing documents for the Approved Entity are inconsistent with the provisions of these Covenants of Owners, the Controlling Person is granted the authority and power to modify or amend such provision and each Owner agrees to cast any necessary vote in favor of the amendment of such document or to execute such agreement as will reconcile these Covenants of Owners and the applicable document or agreement. The undersigned further agree that the governing and establishing documents of the Approved Entity shall not be amended, modified, deleted, novated or otherwise changed in any manner without the prior written consent of Sticks Kebob Shop.

The governing law, dispute resolution, and all other provisions set forth in Section 21.6 of the Franchise Agreement shall apply to any and all disputes arising out of or in connection with this Covenant of Owners as if set forth fully herein.

This Covenant of Owners will be binding upon the Owners and their respective heirs, executors, successors, and assigns, and will inure to the benefit of Franchisor and its successors and assigns.

[SIGNATURE PAGE FOLLOWS]

CONTROLLING PERSON

% OF OWNERSHIP

OWNER

% OF OWNERSHIP

OWNER

% OF OWNERSHIP

OWNER

% OF OWNERSHIP

EXHIBIT B

RIDER TO LEASE

THIS RIDER TO LEASE (the "Rider") is made this ____ day of ____, 20____, by and between ____ ("Tenant") and ____ ("Landlord").
(Insert Tenant's Name Above) (Insert Landlord's Name Above)

WHEREAS, concurrently with the execution of this Rider, Tenant, a franchisee of Sticks Franchising, LLC ("Franchisor"), and Landlord have entered into a lease for the premises of Tenant's Sticks Kebob Shop Restaurant located at:

(Insert Complete Restaurant Address Above) (the "Lease").

WHEREAS, as a condition to Franchisor's grant of a franchise to a franchisee, Franchisor requires that certain provisions be contained in the Lease entered into by its franchisees.

WHEREAS, to evidence Landlord's and Tenant's agreement to these terms, the parties hereby enter into this Rider to Lease.

NOW, THEREFORE, the parties agree as follows:

1. **Inconsistency between Lease and Rider.** In the event of any inconsistency between the terms of the Lease and this Rider, the terms of this Rider shall prevail.
2. **Use and Occupancy.** Tenant may use the leased premises (the "Premises") as a Restaurant for the preparation, consumption and carry-out of freshly prepared proprietary menu items and other food products, side dishes, non-alcoholic beverages for on-premises and off-premises consumption and beer and wine and those items customarily sold, either now or at an applicable time in the future, in a Sticks Kebob Shop Restaurant or other similar enterprise or establishment so long as such future use does not conflict with any applicable governmental laws, rules and regulations or any exclusive use granted prior to the date of this Lease to other tenants within the shopping center. Any retail food or beverage establishment with which Tenant or Franchisor enters into a co-branding agreement or relationship shall be deemed a "similar enterprise" for purposes of this paragraph.
3. **Assignment of Lease.** Anything contained in the Lease to the contrary notwithstanding, Landlord agrees that the Lease and the right, title and interest of the Tenant and any subsequent or successor Tenant thereunder, may and shall be assigned, at the sole and exclusive option of Franchisor, to Franchisor or an approved franchisee of Franchisor (each, a "Successor Tenant") provided Landlord receives notice of such assignment, and further provided, that the assignee shall execute such documents evidencing its agreement to thereafter keep and perform all of the obligations of Tenant arising under the Lease from and after the time of such assignment. If the Lease is assigned to Franchisor and Franchisor subsequently assigns it to an approved franchisee of Franchisor, then in that case Franchisor shall be released from any liability under the Lease from that date forward. Further, Successor Tenant shall have no responsibility for prior defaults under the Lease and Landlord shall not terminate the Lease upon assignment.
4. **Notice of Default.** Landlord shall give written notice via USPS Certified Mail to Franchisor at 513 H Stewart St., Charlottesville, VA 22902 Attn: Franchise Services, of any default by Tenant under the Lease and Franchisor may cure such default at its sole option. Franchisor shall

have an additional ten days after the Tenant's cure period to cure any default, but in no case less than ten days after receipt of notice.

5. **Adequate Parking.** Tenant and its employees, customers, and invitees shall have the right to use a minimum of twenty (20) spaces of the parking lot adjoining the Premises either reserved for Tenant or in common with other tenants.

6. **Outdoor Seating.** Tenant shall be entitled to have and maintain at least five (5) tables or benches seating at least four (4) people each outdoors in front of or beside the leased Premises at no additional cost or rent.

7. **Standard Signage.** Tenant has the right to install the customary and usual Sticks Kebob Shop display signs on and adjacent to the Premises and on any pole type or tenant shared sign, subject to Landlord's approval, which will not be unreasonably withheld, and subject to applicable zoning ordinances and restrictive covenants.

8. **Exclusivity.** Landlord covenants and agrees that no other competitive business, enterprise, restaurant, kiosk or operation currently exists, and that Landlord will not directly or indirectly permit any competitive business, enterprise, restaurant, kiosk or operation to open or operate, in the same mall or shopping center as the leased Premises, or within five hundred feet of the leased Premises in any building, mall or shopping center owned, leased, managed or controlled by Landlord. A "competitive business" shall mean and include any business, enterprise, restaurant, kiosk or operation which (a) is a Mediterranean-themed fast-food, casual, quick-casual or kebob-style eating establishment, or (b) otherwise generates twenty percent (20%) or more of its revenue from the combined sale of kebobs, flatbreads and flatbread wraps, and gyros, or any other approved products that are offered at the Franchised Business, excluding receipts from the sale of alcoholic beverages.

9. **Adjoining Uses.** Landlord covenants and agrees that no tattoo parlor, adult bookstore, or adult theater currently exists, and that Landlord shall not permit, directly or indirectly, any tattoo parlor, adult bookstore, or adult theater to be operated within five hundred (500) feet of the leased Premises in any building or shopping center owned, leased, managed, or controlled by Landlord. As a guideline for determining what is an "adult bookstore" or "adult theater" the parties agree that any commercial establishment that frequently shows or has a significant portion of its business in display, sale, rental, or viewing of publications, books, films, videos or other visual representations or reproductions that are rated X, XX or XXX, or which are characterized by an emphasis on the exposure, depiction, or description of breasts, genitalia or private parts, or on the conduct or simulation of sexual activities, shall not be permitted as an Adjoining Use under this section.

10. **Payment of Rent.** Notwithstanding anything in the Lease to the contrary, Tenant and Landlord acknowledge that Tenant's rent or lease obligations shall not be determined based upon Tenant's sales.

11. **No Radius or Relocation Clauses.** Any restrictions on other Sticks Kebob Shop Restaurant or franchise locations and any relocation of Premises provisions in the Lease permitting Landlord to unilaterally move or relocate Tenant's restaurant or business are hereby deleted.

12. **Alterations.** Tenant shall have the right to close for up to thirty (30) days once every five years to refurbish and redecorate the Premises. Landlord's approval for this shall not be required if the work is all to the interior of the Premises.

13. **Co-Tenancy.** If the space currently occupied by _____ (insert name of major or anchor tenant or state Not Applicable) is not open for business to the public and continuously operating, fully staffed, stocked and fixtured, in at least ninety percent (90%) of the space which it occupies in the Shopping Center as of the date hereof, or less than fifty percent (50%) of the leasable square footage in the Shopping Center is open for business to the public (either event being referred to herein as a “Co-Tenancy Failure”), then the minimum and additional rent payable by Tenant under the Lease shall abate from the date of any such Co-Tenancy Failure until the date that the Major Tenant is open for business to the public in at least ninety percent (90%) of its current premises in the Shopping Center and at least fifty percent (50%) of leasable square footage in the Shopping Center is open for business to the public (the “Co-Tenancy Requirement”). Further, if a Co-Tenancy Failure continues for one (1) year or more, then Tenant shall have the right to terminate the Lease upon thirty days written notice to Landlord at any time prior to the satisfaction of the Co-Tenancy Requirement.

IN WITNESS WHEREOF, the parties have executed this Rider on or as of the date first written above

LANDLORD: _____
(Insert Company’s Name Above)

TENANT: _____
(Insert Company’s Name Above)

By: _____
Signature

By: _____
Signature

(Insert Name Above)

(Insert Name Above)

Its: _____
(Insert Title Above)

Its: _____
(Insert Title Above)

EXHIBIT C
EFT AUTHORIZATION FORM

Bank Name: _____

ABA# : _____

Acct. No.: _____

Acct. Name: _____

Effective as of the date of the signature below, **[Franchisee Name]** (the “Franchisee”) hereby authorizes Sticks Franchising, LLC (the “Company”) or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to cover the following payments that are due and owing Company or its affiliates under the franchise agreement dated _____ (the “Franchise Agreement”) for the franchised business located at: _____ (the “Franchised Business”): (i) all Royalty Fees; (ii) Fund Contributions; (iii) any amounts due and owing the Company or its affiliates in connection with marketing materials or other supplies or inventory that is provided by Company or its affiliates; and (iv) all other fees and amounts due and owing to Company or its affiliates under the Franchise Agreement. Franchisee acknowledges each of the fees described above may be collected by the Company (or its designee) as set forth in the Franchise Agreement.

The parties further agree that all capitalized terms not specifically defined herein will be afforded the definition they are given in the Franchise Agreement.

Such withdrawals shall occur on a weekly basis, or on such other schedule as Company shall specify in writing. This authorization shall remain in full force and effect until terminated in writing by Company. **[Franchisee Name]** shall provide Company, in conjunction with this authorization, a voided check from the above-referenced account.

FRANCHISEE
[INSERT FRANCHISEE NAME]

By: _____

Name (Print): _____

Its: _____

FRANCHISOR APPROVAL
Sticks Franchising, LLC

By: _____

Name (Print): _____

Its: _____

Please attach a voided blank check, for purposes of setting up Bank and Transit Numbers.

EXHIBIT D

CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT

(for trained employees, officers, directors, general partners, members, Controlling Person(s) and any other management personnel of Franchisee)

In consideration of my being a [INSERT TITLE/ROLE WITH FRANCHISEE] of _____ (the “Franchisee”), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I (the undersigned) hereby acknowledge and agree that Franchisee has acquired the right from Sticks Franchising, LLC (the “Company”) to: (i) establish and operate a Sticks Kebob Shop restaurant franchised business (the “Franchised Business”); and (ii) use in the operation of the Franchised Business the Company’s trade names, trademarks and service marks (collectively, the “Marks”) and the Company’s unique and distinctive format and system relating to the establishment and operation of Sticks Kebob Shop restaurant businesses (the “System”), as they may be changed, improved and further developed from time to time in the Company’s sole discretion, only at the following authorized and approved location: _____ (the “Premises”).

1. The Company possesses certain proprietary and confidential information relating to the operation of the Franchised Business and System generally, including without limitation: Company’s proprietary and confidential Operations Manual and other manuals providing guidelines, standards and specifications related to the establishment and operation of the Franchised Business (collectively, the “Manual”); Franchisor’s proprietary training materials and programs, as well as proprietary marketing methods and other instructional materials, trade secrets; information related to any other proprietary methodology or aspects of the System or the establishment and continued operation of the Franchised Business; financial information; any and all customer lists, contracts and other customer information obtained through the operation of the Franchised Business and other Sticks Kebob Shop restaurant businesses; any information related to any type of proprietary software that may be developed and/or used in the operation of with the Franchised Business; and any techniques, methods and know-how related to the operation of Sticks Kebob Shop restaurant business or otherwise used in connection with the System, which includes certain trade secrets, copyrighted materials, methods and other techniques and know-how (collectively, the “Confidential Information”).

2. Any other information, knowledge, know-how, and techniques which the Company specifically designates as confidential will also be deemed to be Confidential Information for purposes of this Agreement.

3. As [INSERT TITLE WITH RESPECT TO FRANCHISEE] of the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, the Manual, and other general assistance during the term of this Agreement.

4. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term hereof, and the use or duplication

of the Confidential Information, in whole or in part, for any use outside the System would constitute an unfair method of competition.

5. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as [INSERT TITLE] of the Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

6. I will surrender any material containing some or all of the Confidential Information to the Company, upon request, or upon conclusion of the use for which the information or material may have been furnished.

7. Except as otherwise approved in writing by the Company, I shall not, while in my position with the Franchisee, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, be employed by, or have any interest in any other business which: (a) is a Mediterranean-themed fast-food, casual, quick-casual or kebob-style eating establishment, or (b) otherwise generates twenty percent (20%) or more of its revenue from the combined sale of kebobs, flatbreads and flatbread wraps, and gyros, or any other approved products that are offered at the Franchised Business, excluding receipts from the sale of alcoholic beverages (collectively, a “Competing Business”). I also agree that I will not undertake any action to divert business from the Franchised Business to any Competing Business or solicit any of the former customers or employees of Franchisee for any competitive business purpose.

7.1 *Post-Term Restrictive Covenant for Controlling Person of Franchised Business or Manager/Officers/Directors of Franchisee.* In the event I am a manager of the Franchised Business, or an officer/director/manager/partner of Franchisee that has not already executed a personal guaranty agreeing to be bound by the terms of the Franchise Agreement, then I further agree that I will not be involved in a Competing Business of any kind for a period of one year after the expiration or termination of my employment with Franchisee for any reason: (i) at or within a 10-mile radius of the Premises; or (ii) within a 10-mile radius of any other Sticks Kebob Shop business that exists at the time my employment with Franchisee ceases through the date of my involvement with the Competing Business. I also agree that I will not be involved in the franchising or licensing of any Competing Business at any location or undertake any action to divert business from the Franchised Business to any Competing Business or solicit any of the former customers or employees of Franchisee for any competitive business purpose, during this one-year period following the termination or expiration of my employment with the Franchisee.

8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an

unappealed final decision to which the Company is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

9. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

10. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security. I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

11. I shall not at any time, directly or indirectly, do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Confidential Information and the System.

12. Franchisee shall make all commercially reasonable efforts to ensure that I act as required by this Agreement.

13. Any failure by Franchisor to object to or take action with respect to any breach of this Agreement by me shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by me.

14. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF VIRGINIA AND MYSELF HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE COURT CLOSEST TO FRANCHISOR'S THEN-CURRENT HEADQUARTERS OR, IF APPROPRIATE, THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF VIRGINIA. I HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. I HEREBY AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON ME IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY VIRGINIA OR FEDERAL LAW. I FURTHER AGREE THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE ONE OF THE COURTS DESCRIBED ABOVE IN THIS SECTION; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER

EXTRAORDINARY RELIEF, FRANCHISOR MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

15. The parties acknowledge and agree that each of the covenants contained in this Agreement are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a part, I expressly agree to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made a part of this Agreement.

16. This Agreement contains the entire agreement of the parties regarding the subject matter of this Agreement. This Agreement may be modified only by a duly authorized writing executed by all parties.

17. All notices and demands required to be given must be in writing and sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile or electronic mail, (provided that the sender confirms the facsimile or electronic mail, by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission), to the respective party at the following address unless and until a different address has been designated by written notice.

The notice shall be addressed to: Sticks Franchising, LLC Attn: Roy Jones: 513 H Stewart St., Charlottesville, VA 22902

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile or electronic mail shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three (3) business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other parties. Business day for the purpose of this Agreement excludes Saturday, Sunday and the following national holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving and Christmas.

18. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and inure to the benefit of its respective parent, successor and assigns.

IN WITNESS WHEREOF, this Agreement is made and entered into by the undersigned parties as of the Effective Date.

UNDERSIGNED

Signature: _____

Name: _____

Address: _____

Title: _____

ACKNOWLEDGED BY FRANCHISEE

[FRANCHISEE NAME]

By: _____

Title: _____

EXHIBIT E

CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND DOMAIN NAMES

1. _____, doing business as a Sticks Kebob Shop restaurant (the "Assignor"), in exchange for valuable consideration provided by Sticks Franchising, LLC (the "Assignee"), receipt of which is hereby acknowledged hereby conditionally assigns to Assignee all telephone numbers, facsimile numbers, domain names, as well as any listings associated therewith, utilized by Assignor in the operation of its Sticks Kebob Shop restaurant located at _____ (collectively, the "Assigned Property"). The Assigned Property includes the following:

Telephone Number(s): _____

Facsimile Number(s): _____

Domain Name(s) (as permitted by Franchisor under the Franchise Agreement): _____

2. The conditional agreement will become effective automatically upon termination, expiration of Assignor's franchise. Upon the occurrence of that condition, Assignor must do all things required by the telephone company and/or domain name registrar to assure the effectiveness of the assignment of Assigned Property as if the Assignee had been originally issued such Assigned Property and the usage thereof.

3. Assignor agrees to pay the telephone company and/or domain name registrar, on or before the effective date of assignment, all amounts owed for the use of the Assigned Property up to the date this Assignment becomes effective. Assignor further agrees to indemnify Assignee for any sums Assignee must pay the telephone company or domain name registrar to effectuate this agreement, and agrees to fully cooperate with the telephone company and/or domain name registrar, as well as the Assignee, in effectuating this assignment.

ASSIGNOR

BY: _____ Date: _____

TITLE: _____

ASSIGNEE

Sticks Franchising, LLC

BY: _____ Date: _____

TITLE: _____

EXHIBIT F

FRANCHISEE QUESTIONNAIRE/COMPLIANCE CERTIFICATION

Sticks Franchising, LLC (“we”, “us”), and you are preparing to enter into a Franchise Agreement and/or Development Agreement for the right to open and operate one (1) or more Sticks Kebob Shop franchises (each, a “Franchised Business”). The purpose of this Questionnaire is to: (i) determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading; (ii) be certain that you have been properly represented in this transaction; and (iii) be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. **You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document but you must sign and date it the same day you sign the Development Agreement and/or Franchise Agreement, and pay us the appropriate franchise/development fee.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer on the back of this sheet.

- Yes____ No ____ 1. Have you received and personally reviewed the Franchise Agreement and/or Development Agreement, as well as each exhibit or schedule attached to these agreements that you intend to enter into with us?
- Yes____ No ____ 2. Have you received and personally reviewed the Franchise Disclosure Document we provided?
- Yes____ No ____ 3. Did you sign a receipt for the Disclosure Document indicating the date you received it?
- Yes____ No ____ 4. Do you understand all the information contained in the Disclosure Document and the Franchise Agreement you intend to enter into with us?
- Yes____ No ____ 5. Have you reviewed the Disclosure Document and Franchise Agreement (and/or Development Agreement) with a lawyer, accountant or other professional advisor and discussed the benefits and risks of operating the Franchised Business(es) with these professional advisor(s)?
- Yes____ No ____ 6. Do you understand the success or failure of your Franchised Business(es) will depend in large part upon your skills, abilities and efforts and those of the persons you employ, as well as many factors beyond your control such as demographics of your Premises (or Development Area), competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?
- Yes____ No ____ 7. Do you understand we have only granted you certain, limited territorial rights under the Franchise Agreement, and that we have reserved certain rights under the Franchise Agreement?
- Yes____ No ____ 8. Do you understand we and our affiliates retain the exclusive unrestricted right to engage, directly or through others, in the providing of services under the

Sticks Kebob Shop mark or any other mark at any location outside your (a) Protected Territory under the Franchise Agreement and (b) Development Area is you have entered into a Development Agreement, without regard to the proximity of these activities to you're the premises of your Franchised Business(es) or Development Area?

- Yes ____ No ____ 9. Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be mediated, at our option, at our then-current headquarters?
- Yes ____ No ____ 10. Do you understand the Franchise Agreement and Development Agreement provide that you can only collect compensatory damages on any claim under or relating to the Franchise Agreement and are not entitled to any punitive, consequential or other special damages?
- Yes ____ No ____ 11. Do you understand the sole entity or person against whom you may bring a claim under the Franchise Agreement or Development Agreement is us?
- Yes ____ No ____ 12. Do you understand that the Franchisee (or one of its principals if Franchisee is an organization), as well as any Controlling Person(s) (as defined in the Franchise Agreement), must successfully complete the appropriate initial training program(s) before we will allow the Franchised Business to open or consent to a transfer of that Franchised Business?
- Yes ____ No ____ 13. Do you understand that we require you to successfully complete certain initial training program(s) and if you do not successfully complete the applicable training program(s) to our satisfaction, we may terminate your Franchise Agreement?
- Yes ____ No ____ 14. Do you understand that we do not have to sell you a franchise or additional franchises or consent to your purchase of existing franchises (other than those that you timely fulfill your development obligations and have contracted to open under the Development Agreement, provided you have not materially breached that agreement and failed to timely cure that breach)?
- Yes ____ No ____ 15. Do you understand that we will send written notices, as required by your Franchise Agreement and/or Development Agreement, to either your Franchised Business or home address until you designate a different address by sending written notice to us?
- Yes ____ No ____ 16. Do you understand that we will not approve your purchase of a Sticks Kebob Shop franchise, or we may immediately terminate your Franchise Agreement, if we are prohibited from doing business with you under any anti-terrorism law enacted by the United States Government?
- Yes ____ No ____ 17. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Franchised

Business that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?

Yes ____ No ____ 18. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Franchised Business will generate, that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?

Yes ____ No ____ 19. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement and/or Development Agreement concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Disclosure Document?

Yes ____ No ____ 20. Is it true that no broker, employee or other person providing services to you on our behalf has solicited or accepted any loan, gratuity, bribe, gift or any other payment in money, property or services from you in connection with a Franchised Business purchase with exception of those payments or loans provided in the Disclosure Document?

NOTE FOR RESIDENTS OF THE STATE OF MARYLAND AND FRANCHISEES WITH FRANCHISED BUSINESSES TO BE LOCATED IN MARYLAND: All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to, nor shall they act as, a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

[SIGNATURE PAGE FOLLOWS]

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated: _____, 20____

Dated: _____, 20____

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated: _____, 20____

Dated: _____, 20____

GIVE A COMPLETE EXPLANATION OF ANY NEGATIVE RESPONSES ON BACK OF THIS PAGE (REFER TO QUESTION NUMBER

**EXHIBIT B
TO THE
FRANCHISE DISCLOSURE DOCUMENT**

Development Agreement

(Attached)



STICKS FRANCHISING, LLC
DEVELOPMENT AGREEMENT

Developer

TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u>
RECITALS	1
1. GRANT OF DEVELOPMENT RIGHTS.....	1
2. TERRITORIAL PROTECTION	1
3. TERM OF AGREEMENT.....	2
4. DEVELOPMENT REQUIREMENTS	2
5. GRANT OF FRANCHISES	2
6. AGREEMENTS TO BE EXECUTED	2
7. PAYMENTS	2
8. MANAGEMENT AND/ OR SUPERVISION OF RESTAURANTS	3
9. TERMINATION.....	3
10. TRADE SECRETS OF STICKS	3
11. CONFLICTING BUSINESS INTERESTS.....	3
12. ASSIGNMENT BY DEVELOPER.....	3
13. ASSIGNMENT BY STICKS	4
14. NOTICES.....	4
15. MISCELLANEOUS	4
16. COVENANT OF OWNERS.....	4
17. DISPUTE RESOLUTION, ARBITRATION AND GOVERNING LAW	4
18. EFFECTIVE DATE OF THIS AGREEMENT	4

EXHIBIT A – DEVELOPMENT AREA

EXHIBIT B – COVENANT OF OWNERS

Sticks Franchising, LLC

DEVELOPMENT AGREEMENT

This Development Agreement (this “**Agreement**”) is between Sticks Franchising, LLC, a Virginia limited liability company (“**we**”, “**Sticks**” or “**us**” in this Agreement), and (“**you**” or “**Developer**” in this Agreement). If you are a corporation, partnership, limited liability company or other entity approved by us (the “**Approved Entity**”), the term “**Owners**” in this Agreement refers to the shareholders, partners, members, or other interest holders. This Agreement is effective as of the date signed by Sticks or Developer, whichever is later (the “**Effective Date**”). Unless otherwise approved by Sticks, the term “**Controlling Person**” refers to the person who owns forty percent (40%) or more and the largest share of the general partnership interest of such partnership, equity, and voting power of all classes of issued and outstanding capital stock of such corporation, the membership interest of such limited liability company or the voting and ownership interests of such other entity.

RECITALS

- A. We and you have entered into a certain Franchise Agreement (the “**Initial Franchise Agreement**”) dated the same date as this Agreement, in which we have granted you the right to establish and operate one Sticks Kebob Shop franchised business within the protected territory set forth in the Initial Franchise Agreement (a “**Restaurant**”).
- B. We desire to grant to you the exclusive right to establish and operate a specified number of Restaurants within a specified geographical area in accordance with a development schedule.
- C. You desire to establish and operate additional Businesses upon the terms and conditions contained in our then-current standard franchise agreements (a “**Franchise Agreement**”).

NOW, THEREFORE, for and in consideration of the foregoing premises and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Grant of Development Rights. Subject to the terms of this Agreement, Sticks grants to you the exclusive right to develop Restaurants within the area described in Exhibit A to this agreement (the “**Development Area**”). You acknowledge and agree that we and our affiliates retain the right, in our sole discretion, to open and operate, and to grant others the right to open and operate, with no right of first refusal or approval by you, other restaurants and concepts under the “**Sticks Kebob Shop**” name and trade dress at “**Non-Traditional Locations**”. which include gas stations; transportation facilities, including airports, train stations, subways and rail and bus stations; military bases and government offices and facilities; sports facilities, including stadiums, arenas; theaters; reports; amusement parks, zoos and convention centers; car and truck rest stops and travel centers; educational facilities; recreational theme parks; hospitals and health care facilities; business or industrial foodservice venues; guest lodging facilities; day care facilities of any type; condominium and cooperative complexes; the premises of any third party retailer which is not a restaurant (including shops, stores and department stores); food retailers (including supermarkets, grocery stores and convenience stores); malls and mall food courts; schools and universities; venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider; Indian reservations; casinos; or any similar captive market or any other location to which access to the general public is restricted..

2. Territorial Protection. Subject to our reservation of rights in Articles 4.2 of the Franchise Agreement, during the Term, we agree that neither we nor our affiliates will operate (directly or indirectly) or grant a franchise for the operation of a Restaurant to anyone else in the Development Area,

provided that you: (a) timely meet the development obligations set forth in Section 4 of this Agreement; and (b) otherwise comply with the provisions of this Agreement.

3. **Term of Agreement.** The Term of this Agreement shall begin on the Effective Date and expires at midnight on the last Opening Deadline date listed in the Development Requirements table in Section 4. Of this Agreement, unless this Agreement is terminated sooner as provided in other sections of this Agreement (the "Term").

4. **Development Requirements.** You agree to open the following number of Restaurants during the Term by the dates set forth below:

Opening Deadline:	Total Number of Units to be open and Operating

5. **Grant of Franchises.** We will grant you a franchise for the operation of a Restaurant at a proposed site within the Development Area upon our approval of a completed application submitted by you in the form prescribed by us, provided that we determine in our sole and absolute discretion that:

- you and your owners have the financial capacity and necessary skills and experience to develop and operate the Restaurant based upon criteria established by us from time to time;
- the site which you have proposed for the Restaurant within the Development Area is a suitable site for a Restaurant based upon criteria established by us from time to time (or we, in our sole discretion, agree to permit the site to be selected after the franchise agreement is signed);
- you and your owners are in compliance with this Agreement and all other agreements between you and us; and
- you and your owners have furnished all information we may reasonably require in evaluating your application.

6. **Agreements to be Executed.** You and your owners agree to execute our then-current form of franchise agreement (the "**Franchise Agreement**"), which may have terms that differ from the Franchise Agreement for your first Restaurant, (which you must execute contemporaneously with this Agreement), for each Restaurant developed pursuant to this Agreement.

7. **Payments.** You agree to pay a Development Fee of \$_____, which is for _____ Restaurants in the Development Area. You will not be required to pay any additional initial franchise fee when the Franchise Agreement for each individual Restaurant is signed, as long as each Franchise Agreement is signed while this Development Agreement is still in full force and effect. If you are permitted, in our sole discretion, to develop more Restaurants in the Development Area than are initially provided for in this Agreement, then the per Restaurant franchise fee shall be \$_____ per additional Franchise Agreement which is signed while this Agreement is still in full force and effect. All franchise fees and development fees are earned when paid, are not refundable under any circumstances, and are not merely deposits on future franchise fees.

8. Management and/ or Supervision of Restaurants. You must actively and frequently manage and supervise Restaurants within the Development Area. If you are an Approved Entity, the Controlling Person must actively and frequently supervise Restaurants within the Development Area.

9. Termination.

- a. Mutual Termination. This Agreement and all rights and obligations of the parties may be terminated at any time by the mutual agreement of the parties.
- b. By Sticks. We may terminate this Agreement effective upon delivery of written notice to you if:
 - i. you fail to meet the Development Requirements set forth in Section 4 hereof;
 - ii. you or your owners fail to comply with any other provision of this Agreement;
 - iii. you or your owner fail to comply with this Agreement, any Franchise Agreement, or any other agreement between you and us, and such agreement is terminated by us in accordance with its terms;
 - iv. you and your owners fail to maintain the financial capacity and necessary skills and experience to meet the Development Requirements and timely develop and operate the Restaurants required to be opened and operated under this Agreement based upon criteria established by us from time to time; or,
 - v. the Controlling Person of the Developer under this Agreement is not at any time the Controlling Person of all approved entities operating Restaurants in the Development Area.

10. Trade Secrets of Sticks. You agree that you will maintain the absolute confidentiality of all non-public or confidential information and methods provided by us with respect to the operation of a Restaurant and will not use any such information in any other business or in any manner not specifically authorized or approved in writing by Sticks. Section 19 of the Initial Franchise Agreement is incorporated by reference in this Agreement as if fully restated within the text of this Agreement.

11. Conflicting Business Interests. Neither you nor any of your owners may engage in any activity which may impair your ability to fulfill your obligations during the Term without our prior written consent, which may be withheld in our sole and absolute discretion. You represent and warrant that you, your Controlling Person, your Approved Entity, and each of your owners have the legal right with respect to one another and third parties to enter into this Agreement and to be involved in the ownership and operation of the Restaurant, that doing so will not violate any contractual or legal obligations or duties to one another nor to any third party, and that you will not use any trade secrets, confidential business information, copyrighted or patented materials, or other proprietary materials or information of any third party in establishing or operating the Restaurant, without a written license to do so. Section 19 of the Initial Franchise Agreement is incorporated by reference in this Agreement as if fully restated within the text of this Agreement.

12. Assignment by Developer. This Agreement and the development rights contained in this Agreement are personal to you and your owners and may not be voluntarily, involuntarily, directly or indirectly, assigned or otherwise transferred or encumbered by you or your owners. For purposes of this paragraph, a sale, assignment or transfer of the interests of any owner shall be deemed an assignment or transfer of this Agreement. Any attempted assignment or transfer without our prior written approval shall have no effect and shall constitute a material breach of this Agreement.

13. **Assignment by Sticks.** This Agreement is fully assignable by us and the assignee or other legal successor to Sticks' interests will be entitled to receive all of the benefits of this Agreement.

14. **Notices.** All written notices permitted or required to be delivered shall be deemed so delivered when delivered by hand, three (3) days after having been placed in the United States Mail by Registered or Certified Mail, one (1) day after being placed in the hands of a commercial courier service for next day delivery, one (1) day after transmission by telecopy or other electronic system, and addressed to us at our most current principal business address or to you at the most current principal business address or home address of which we have been notified in writing

15. **Miscellaneous.** This Agreement is binding on the parties to this Agreement and their heirs, assigns, and successors in interest. By accepting this Agreement, you and your owners will be jointly and severally liable for the performance of the obligations set forth herein. Further, there are no other oral or written understandings or agreements between the parties regarding the subject matter of this Agreement, provided that nothing in this Agreement or in any related agreement is intended to disclaim the representations we made in any franchise disclosure document we delivered to you in connection with this Agreement. To the extent that this Agreement is inconsistent with any provision of any Franchise Agreement executed by you in connection with the operation of a Restaurant, the terms of this Agreement shall govern.

16. **Covenant of Owners.** You, and all of your Owners if you are an Approved Entity, must enter into the Covenant of Owners attached as Exhibit B to this Agreement.

17. **Dispute Resolution, Arbitration and Governing Law.** The terms and provisions of Section 21.6 (Dispute Resolution, Mandatory, Mediation, Arbitration and Governing Law) are incorporated by reference in this Agreement as if fully restated within the text of this Agreement.

18. **Effective Date of This Agreement.** This Agreement shall take effect upon the date of its acceptance and execution by us.

I HAVE READ THE ABOVE AGREEMENT AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS AGREEMENT IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.

DEVELOPER

Sticks Franchising, LLC

By: _____

By: _____

Its: _____

Its: _____

Dated: _____

Dated: _____

EXHIBIT A
DEVELOPMENT AREA

(insert description and/or map of Development Area)

The following modifications are made to this disclosure document given to you and may supersede, to the extent then-required by valid applicable state law, certain portions of the Franchise Agreement between you and us dated as of the Effective Date set forth in your Franchise Agreement. When the term “Franchisor’s Choice of Law State” is used, it means the laws of the state of Virginia, subject to any modifications as set forth in the addenda below. When the term “Supplemental Agreements” is used, it means Area Development Agreement.

Certain states have laws governing the franchise relationship and franchise documents. Certain states require modifications to the FDD, Franchise Agreement and other documents related to the sale of a franchise. These State Specific Addenda (“Addenda”) modify the agreements to comply with the state’s laws. The terms of these Addenda will only apply if you meet the requirements of the applicable state, independent of your signing the appropriate Addenda. The terms of the Addenda will override any inconsistent provision in the FDD, Franchise Agreement, or any Supplemental Documents. These Addenda are only applicable to the following states: California, Hawaii, Illinois, Iowa, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Ohio, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

If your state requires these modifications, you will sign the signature page to the Addenda along with the Franchise Agreement and any Supplemental Agreements.

CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

OUR WEBSITE (www.stickskebobshop.com) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT dfpi.ca.gov.

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of California:

ITEM 3 – LITIGATION

1. Neither the Franchisor, nor any person identified in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 79a et seq., suspending or expelling such persons from membership in such association or exchange

ITEM 17 - RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

2. The Franchise Agreement provides for termination upon bankruptcy, this provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq).

3. The Franchise Agreement and the Development Agreement contain provisions requiring application of the laws of Virginia. This provision may not be enforceable under California law.

4. The Franchise Agreement and the Development Agreement require venue to be limited to Virginia. This provision may not be enforceable under California law.

5. The Franchise Agreement contains a covenant not to compete which extends beyond the termination or non-renewal of the franchise. This provision may not be enforceable under California law.

6. THE FRANCHISE AGREEMENT MAY REQUIRE THE FRANCHISEE TO EXECUTE A GENERAL RELEASE OF CLAIMS UPON EXECUTION OF THE FRANCHISE AGREEMENT. CALIFORNIA CORPORATIONS CODE SECTION 31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE SECTIONS 31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE SECTION 20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE SECTIONS 20000 THROUGH 20043).

7. California Corporations Code, Section 31125 requires us to give you a disclosure document, approved by the Department of Corporations before we ask you to consider a material modification of your Franchise Agreement or the Development Agreement.

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

9. The Franchise Agreement and Area Development Agreement require binding arbitration. The arbitration will occur in Virginia. If we are the substantially prevailing party, we will be entitled to recover reasonable attorneys' fees and litigations costs and expenses in connection with the arbitration. Prospective

franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5 Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

HAWAII ADDENDUM TO DISCLOSURE DOCUMENT

The following paragraphs are added in the state cover pages:

THESE FRANCHISES WILL HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF SECURITIES, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE COMMISSIONER OF SECURITIES, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE, AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, AND THIS ADDENDUM, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS ADDENDUM AND THE DISCLOSURE DOCUMENT CONTAIN A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND FRANCHISEE.

The name and address of the Franchisor's agent in this state authorized to receive service of process is: Commissioner of Securities, Department of Commerce and Consumer Affairs, Business Registration Division, Securities Compliance Branch, 335 Merchant Street, Room 203, Honolulu, Hawaii 96813.

In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., the Franchise Disclosure Document for Sticks Franchising, LLC in connection with the offer and sale of franchises for use in the State of Hawaii shall be amended to include the following:

This proposed registration is effective/exempt from registration or will shortly be on file in California, Hawaii, Illinois, Indiana, Kentucky, Maryland, Michigan, Minnesota, Nebraska, New York, North Dakota, Rhode Island, South Dakota, Texas, Utah, Virginia, Washington, and Wisconsin. No states have refused, by order or otherwise, to register these franchises. No states have revoked or suspended the right to offer these franchises. The proposed registration of these franchises has not been involuntarily withdrawn in any state.

Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., are met independently without reference to this Addendum to the disclosure document.

ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT

Illinois law governs the Disclosure Document and Franchise Agreement(s).

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a disclosure document and franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a disclosure document and franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

INDIANA ADDENDUM TO DISCLOSURE DOCUMENT

Notwithstanding anything to the contrary set forth in the Franchise Agreement or Area Development Agreement, the following provisions shall supersede and apply to all franchises offered and sold in the State of Indiana:

1. The Franchise Agreement and Area Development Agreement will be governed by Indiana law. Venue for litigation will not be limited to a venue outside of the State of Indiana, as specified in the Franchise Agreement and Area Development Agreement.
2. The prohibition by Indiana Code 23-2-2.7-1 (7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as a material breach of the Franchise Agreement, shall supersede any conflicting provisions of the Franchise Agreement and the Area Development Agreement in the State of Indiana to the extent they may be inconsistent with such prohibition.
3. No release language set forth in the Franchise Agreement or Area Development Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana.
4. The post-termination non-competition covenants set forth in the Franchise Agreement and Area Development Agreement shall be limited in time to a maximum of three (3) years and in geographic scope to the designated territory granted by the Agreement.
5. Nothing in the Franchise Agreement or Area Development Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana, and the laws of the State of Indiana supersede any conflicting choice of law provisions set forth herein if such provision is in conflict with Indiana law.
6. You will not be required to indemnify us and the other Indemnities for any liability caused by your proper reliance on or use of procedures or materials provided by us or caused by our negligence.
7. If we receive any payments related to purchases from you that we do not pass on in full to the supplier, we will promptly account for the amount of the payment that we retained and we will transmit the retained amount to you.

IOWA ADDENDUM TO DISCLOSURE DOCUMENT

Any provision in the Franchise Agreement or Compliance Questionnaire which would require you to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability imposed by the Iowa Business Opportunity Promotions Law (Iowa Code Ch. 551A) is void to the extent that such provision violates such law.

The following language will be added to the Franchise Agreement:

NOTICE OF CANCELLATION

_____ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within three business days from the above date. If you cancel, any property traded in, any payments made by you under the contract or sale, and any negotiable instrument executed by you will be returned within ten business days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be canceled.

If you cancel, you must make available to the seller at your residence or business address, in substantially as good condition as when received, any goods delivered to you under this contract or sale; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk.

If you do not agree to return the goods to the seller or if the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation.

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to Sticks Franchising, LLC, 513 H Stewart St., Charlottesville, VA 22902, not later than midnight of the third business day after the Effective Date.

I hereby cancel this transaction.

Franchisee: _____

Signed: _____

Name: _____

Date: _____

MARYLAND ADDENDUM TO DISCLOSURE DOCUMENT

The following provisions will supersede anything to the contrary in the Franchise Disclosure Document, Franchise Agreement or Area Development Agreement and will apply to all franchises offered and sold under the laws of the State of Maryland:

Item 17 - RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

1. No release language in the Franchise Agreement or Area Development Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Maryland. Any general release required as a condition of renewal, sale and/or assignment or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
2. A franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Laws must be brought within three years after the grant of the franchise.
3. The provision in the Franchise Agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO THE MICHIGAN FRANCHISE INVESTMENT LAW

The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provisions of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value, at the time of expiration, of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchised business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, marketing, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.¹
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) the failure of the proposed franchisee to meet the franchisor's then-current reasonable qualifications or standards;
 - (ii) the fact that the proposed transferee is a competitor of the franchisor or subfranchisor;
 - (iii) the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations; and

¹NOTE: Notwithstanding paragraph (f) above, we intend to fully enforce the provisions of the arbitration section of our agreements. We believe that paragraph (f) is preempted by the Federal Arbitration Act and that paragraph (f) is therefore unconstitutional.

- (iv) the failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona-fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor must, at the request of the franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

The name and address of the franchisor's agent in this state authorized to receive service of process is: Michigan Department of Commerce, Corporation and Securities Bureau, 6546 Mercantile Way, P.O. Box 30222, Lansing, MI 48910.

Any questions regarding this notice should be directed to:

Department of the Attorney General's Office
Corporate Oversight Division
Attn: Franchise
670 G. Mennen Williams Building
Lansing, MI 48913

INFORMATION REQUIRED BY THE STATE OF MINNESOTA

Notwithstanding anything to the contrary set forth in the Disclosure Document, the Franchise Agreement, or the Area Development Agreement, the following provisions will supersede and apply:

1. We will protect your right to use the trademarks, service marks, trade names, logotypes, or other commercial symbols and/or indemnify you from any loss, costs or expenses arising out of any claim, suit, or demand regarding the use of the same.
2. Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit the Franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the disclosure document or agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.
3. No release language set forth in the Franchise Agreement or Area Development Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Minnesota.
4. Minnesota law provides franchisees with certain termination and non-renewal rights. Minnesota Statutes, Section 80C.14, subdivisions 3, 4, and 5 require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement or Area Development Agreement.
5. Under the terms of the Franchise Agreement and Area Development Agreement, as modified by the Minnesota Addendum to the Franchise Agreement, you agree that if you engage in any non-compliance with the terms of the Franchise Agreement or unauthorized or improper use of the System Marks, or Proprietary Materials during or after the period of the Agreements, we will be entitled to seek both temporary and permanent injunctive relief against you from any court of competent jurisdiction, in addition to all other remedies which we may have at law, and you consent to the seeking of these temporary and permanent injunctions.

NEW YORK ADDENDUM TO DISCLOSURE DOCUMENT

NOTICE TO PROSPECTIVE FRANCHISEES IN THE STATE OF NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT B OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- a. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- b. No such party has pending actions, other than routine litigation. incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- c. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- d. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust; trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" section of Item 17(c), titled **"Requirements for franchisee to renew or extend,"** and Item 17(m), entitled **"Conditions for franchisor approval of transfer"**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Section 687.4 and 687.5 be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled **"Termination by franchisee"**:

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the "Summary" section of Item 17(o), titled **"Assignment of contract by franchisor"**:

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

6. The following is added to the end of the "Summary" section of Item 17(v), titled **"Choice of forum"**, and Item 17(w), titled **"Choice of Law"**:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

7. Any requirements of an Area Representative Agreement that you consent to the entry of an injunction prohibiting any breach by you of your obligations under the Franchise Agreement are modified in the State of New York to provide only that you consent to the seeking of such an injunction.
8. The following sentence is added at the end of the section entitled "Modifications to System" in Item 17 of the Franchise Disclosure Document:

However, any new or different requirement set forth will not unreasonably increase your obligations or place an excessive economic burden on your operations.

NORTH DAKOTA ADDENDUM TO DISCLOSURE DOCUMENT

In North Dakota, the Disclosure Document is amended as follows to conform to North Dakota law:

1. Item 17(c) “**Requirements for Franchisee to Renew or Extend**” of the Disclosure Document is amended to provide as follows: “Any provision in the Franchise Agreement which requires the franchisee to sign a general release upon renewal of the Franchise Agreement is unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.”
2. Item 17(r) “**Non-competition Covenants**” of the Disclosure Document is amended to provide as follows: “Any provision in the Franchise Agreement restricting competition is contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust or inequitable within the intent of Section 51-09-09 of the North Dakota Franchise Investment Law.”
3. Item 17(u) “**Dispute Resolution**” of the Disclosure Document is amended to provide as follows: “Any provision in the Franchise Agreement which provides that the parties agree to an arbitration or mediation of disputes which place at a location that is remote from the site of Franchisee’s business is unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.”
4. Item 17(v) “**Venue**” of the Disclosure Document is amended to provide as follows: “Any provision in the Franchise Agreement which designates jurisdiction or venue or requires the Franchisee to agree to jurisdiction or venue in a forum outside of North Dakota is void with respect to any cause of action which is otherwise enforceable in North Dakota.”
5. Item 17(w) “**Governing Law**” is amended to provide as follows: “Any provision in the Franchise Agreement requiring that the Franchise Agreement be construed according to the laws of a state other than North Dakota is unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.”

OHIO ADDENDUM TO DISCLOSURE DOCUMENT

The following language will be added to the front page of the Franchise Agreement:

You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

Initials: _____

Date: _____

NOTICE OF CANCELLATION

_____(enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to Sticks Franchising, LLC, 513 H Stewart St., Charlottesville, VA 22902, not later than midnight of the fifth business day after the Effective Date.

I hereby cancel this transaction.

Franchisee: _____

Signed: _____

Name: _____

Date: _____

RHODE ISLAND ADDENDUM TO DISCLOSURE DOCUMENT

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Rhode Island.

ITEM 17 - RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

§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 otherwise enforceable under this Act.”

VIRGINIA ADDENDUM TO DISCLOSURE DOCUMENT

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Sticks Franchising, LLC, for use in the Commonwealth of Virginia shall be amended as follows:

Additional Risk Factor:

Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from \$247,600 to \$573,300. This amount exceeds the franchisor's stockholders' equity as of November 21, 2021 which is \$100,500.

Additional Disclosure: The following statements are added to Item 17:

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

INFORMATION REQUIRED BY THE STATE OF WASHINGTON

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

WISCONSIN ADDENDUM TO DISCLOSURE DOCUMENT

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

SIGNATURE PAGE FOR APPLICABLE ADDENDA

If any one of the preceding Addenda for specific states (“Addenda”) is checked as an “Applicable Addenda” below, then that Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement, and any other specified agreement(s) entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement, or other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement.

☐ California
☐ Hawaii
☐ Illinois
☐ Iowa
☐ Indiana
☐ Maryland

☐ Michigan
☐ Minnesota
☐ New York
☐ North Dakota
☐ Ohio

☐ Rhode Island
☐ South Dakota
☐ Virginia
☐ Washington
☐ Wisconsin

Date: _____, _____

FRANCHISOR:

STICKS FRANCHISING, LLC

By: _____

Title: _____

FRANCHISEE:

By: _____

Title: _____

**EXHIBIT D
TO THE
FRANCHISE DISCLOSURE DOCUMENT**

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

(Attached)

LIST OF STATE ADMINISTRATORS	
<u>CALIFORNIA</u> Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll Free (866) 275-2677	<u>CONNECTICUT</u> State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, Connecticut 06103-1800 (860) 240-8230
<u>HAWAII</u> Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	<u>ILLINOIS</u> Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465
<u>INDIANA</u> Indiana Secretary of State Franchise Section 302 Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	<u>MARYLAND</u> Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
<u>MICHIGAN</u> Michigan Attorney General's Office Corporate Oversight Division, Franchise Section 525 W. Ottawa Street G. Mennen Williams Building, 1 st Floor Lansing, Michigan 48933 (517) 373-7117	<u>MINNESOTA</u> Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600
<u>NEW YORK</u> New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21 st Floor New York, NY 10005 (212) 416-8285	<u>NORTH DAKOTA</u> North Dakota Securities Department State Capitol Department 414 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505 (701) 328-4712
<u>OREGON</u> Department of Business Services Division of Finance and Corporate Securities Labor and Industries Building 350 Winter Street, NE Room 410 Salem, Oregon 97310 (503) 378-4387	<u>RHODE ISLAND</u> Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
<u>SOUTH DAKOTA</u> Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563	<u>VIRGINIA</u> State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051
<u>WASHINGTON</u> Department of Financial Institutions Securities Division, 3rd Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760	<u>WISCONSIN</u> Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139
LIST OF STATE AGENT FOR SERVICE OF PROCESS	

<u>CALIFORNIA</u> Commissioner Department of Financial Protection and Innovation 320 West 4 th Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll Free (866) 275-2677	<u>CONNECTICUT</u> Banking Commissioner Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, Connecticut 06103-1800 (860) 240-8230
<u>HAWAII</u> Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	<u>ILLINOIS</u> Illinois Attorney General Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465
<u>INDIANA</u> Indiana Secretary of State Franchise Section 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	<u>MARYLAND</u> Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
<u>MICHIGAN</u> Michigan Attorney General's Office Corporate Oversight Division, Franchise Section 525 W. Ottawa Street G. Mennen Williams Building, 1 st Floor Lansing, Michigan 48933 (517) 373-7117	<u>MINNESOTA</u> Minnesota Commissioner of Commerce Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600
<u>NEW YORK</u> New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231 (518) 472-2492	<u>NORTH DAKOTA</u> North Dakota Securities Commissioner State Capitol 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505 (701) 328-4712
<u>OREGON</u> Secretary of State Corporation Division - Process Service 255 Capitol Street NE, Suite 151 Salem, OR 97310-1327 (503) 986-2200	<u>RHODE ISLAND</u> Director of Department of Business Regulation Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
<u>SOUTH DAKOTA</u> Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563	<u>VIRGINIA</u> Clerk of the State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, Virginia 23219 (804) 371-9733
<u>WASHINGTON</u> Director, Department of Financial Institutions Securities Division, 3rd Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760	<u>WISCONSIN</u> Administrator, Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

**EXHIBIT E
TO THE
FRANCHISE DISCLOSURE DOCUMENT**

Financial Statements

(Attached)

**STICKS FRANCHISING, LLC
CHARLOTTESVILLE, VA**

**FINANCIAL REPORT
PERIOD ENDED DECEMBER 31, 2021**

STICKS FRANCHISING, LLC
CHARLOTTESVILLE, VA

CONTENTS

Independent Auditors' Report.....1

Balance Sheet.....3

Income Statement.....4

Statement of Cash Flows.....5

Notes to the Financial Statement.....6



INDEPENDENT AUDITORS' REPORT

To the Board of Managers
Sticks Franchising, LLC
513-H Steward St
Charlottesville, VA 22902

Opinion

We have audited the accompanying financial statements of Sticks Franchising, LLC (the Company), which comprise the balance sheet as of December 31, 2021, and the related income statement and statement of cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the balance sheet referred to above present fairly, in all material respects, the financial position of Stick Franchising, LLC, as of December 31, 2021 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section on our report. We are required to be independent of Sticks Franchising, LLC and to meet our other ethical requirements 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

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

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

Monfalcone & Harris, PC

April 29, 2022

STICKS FRANCHISING, LLC
BALANCE SHEET
Year Ended December 31, 2021

ASSETS

CURRENT ASSETS

Cash	\$ 3,198
	<u>3,198</u>
Total Current Assets	<u>3,198</u>

INTANGIBLE ASSETS

Organization costs	17,328
Startup costs	<u>5,640</u>
Total Intangible Assets	<u>22,968</u>

TOTAL ASSETS	\$ 26,166
---------------------	------------------

STOCKHOLDERS' EQUITY

STOCKHOLDERS' EQUITY

Common Stock, authorized 1,000,000 shares each of A and B, 850,000 B shares issued	\$ 13,678
Retained earnings	<u>12,488</u>
Total Stockholders' Equity	<u>26,166</u>

STOCKHOLDERS' EQUITY	\$ 26,166
-----------------------------	------------------

See Independent Auditors' Report and Accompanying Notes.

STICKS FRANCHISING, LLC
INCOME STATEMENT
YEAR ENDED DECEMBER 31, 2021

REVENUES	\$ -
ADMINISTRATIVE COSTS	
Bank fees	<u>2</u>
Total Administrative Costs	<u>2</u>
NET (LOSS) INCOME	<u>(2)</u>
RETAINED EARNINGS, BEGINNING OF YEAR	<u>-</u>
OWNER CONTRIBUTIONS	100,500
DISTRIBUTIONS TO OWNERS	(74,332)
RETAINED EARNINGS, END OF YEAR	<u><u>\$ 26,166</u></u>

See Independent Auditors' Report and Accompanying Notes.

STICKS FRANCHISING, LLC
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss \$ (2)

Total Adjustments -

Net Cash Used In Operating Activities (2)

CASH FLOWS FROM INVESTING ACTIVITIES

Aquisition of intangible assets (22,968)

Net Cash Used In Investing Activities (22,968)

CASH FLOWS FROM FINANCING ACTIVITIES

Owner contributions 100,500

Distributions to owners (74,332)

Net Cash Provided By Financing Activities 26,168

NET INCREASE IN CASH 3,198

CASH, BEGINNING OF YEAR -

CASH, END OF YEAR \$ 3,198

See Independent Auditors' Report and Accompanying Notes.

STICKS FRANCHISING, LLC

NOTES TO FINANCIAL STATEMENTS

NATURE OF ORGANIZATION

The Sticks Franchising, LLC (the Company) is a limited liability company, incorporated in Virginia on August 26, 2021. The Company is set up to manage a fast casual franchise restaurant.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to credit risk include cash on deposit with one institution in excess of the Federal Deposit Insurance Corporation limit was \$250,000. As of December 31, 2021, the Company has no uninsured deposits. The year end bank balances were used to calculated the excess of the FDIC insurance limits.

Cash and equivalents

Cash and cash equivalents are defined as cash and liquid investments with original maturities of three months or less. At December 31, 2021, the Company's cash consists of one cash account in one bank.

Intangible assets

Intangible assets consist of Organization and startup costs which are expensed over 15 years in accordance with generally accepted accounting principles. For the year ended December 31, 2021, there was no amortization expense incurred.

Use of Estimates

The preparation of financial statements in conformity with an income tax basis requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

STICKS FRANCHISING, LLC

NOTES TO FINANCIAL STATEMENTS

INCOME TAXES

Sticks Franchising, LLC is formed as a Virginia limited liability company in the form of a partnership. The date of election was August 30, 2021. The Company has not yet begun operations and does not have any income or related tax payments or liabilities for the year ended December 31, 2021.

The Company files income tax returns in the United States federal jurisdiction and the Commonwealth of Virginia. The Company's first year of tax returns for 2021 have been filed and are subject to examination by tax authorities.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 29, 2022, which is the date the financial statements were available to be issued.

**EXHIBIT F
TO THE
FRANCHISE DISCLOSURE DOCUMENT**

OPERATING MANUAL TABLE OF CONTENTS

(Attached)

Operating Manual

Table of Contents

Introduction.....	3
Using this Manual.....	4
Sticks Kebob Shop Vision Statement.....	4
Tips for Choosing a Business Location.....	5
Commercial Leases.....	6
Tips for Hiring a General Contractor.....	7
Marketing.....	8
Security and Safety.....	10
Theft Prevention.....	11
Policies and Procedures.....	11
The Secure Store.....	12
Cash Management.....	12
Safe Utilization.....	13
Credit Card Acceptance Policy.....	14
Credit Card Safety and Security Measures.....	15
Manipulation of Funds/Paperwork.....	17
Deductions from Pay.....	17
Deposits.....	17
Telephone/Cell Phone Policies.....	18
Physical Safety & Security.....	19
Key Control and Accountability.....	19
Security of Exterior Entrances.....	19
Fire Exit.....	20
Robbery.....	20
Weapons.....	21
Workplace Violence.....	22
Security Incident Report.....	26
Leadership and Integrity.....	27
Personnel.....	28
Interviews.....	28
Uniforms/Grooming.....	30
Human Resources.....	31
Minimum Wage, Overtime, Pay Practices, FMLA.....	34
Use of Polygraphs.....	40
The Employee Process.....	41
Disciplinary Guidelines	43
Resignations.....	44
Unemployment Compensation.....	44
Other Personal Policies & Procedures.....	45
Workman’s Compensation.....	48
Legal Claims.....	48
Store Manager Work Week.....	48
Operating Procedures.....	49
General Production.....	49
Food Safety.....	49

Food Storage.....	50
Fresh Produce.....	50
Raw Protein.....	51
Pre-Packaged Beverages.....	52
Recipes.....	53
Small wares.....	54-57
Equipment Sources.....	58-64
POS System.....	65
Daily Operating checklists (open, mid,close).....	66-72
Sticks Kebab Shop Operational Forms.....	73-88

**EXHIBIT G
TO THE
FRANCHISE DISCLOSURE DOCUMENT**

Current and Former Franchisees

Franchisees Who Have Opened Franchised Businesses (as of December 31, 2021):

NONE

Franchisees Who Have Signed Agreements But Not Yet Opened Franchised Businesses (as of December 31, 2021):

NONE

Former Franchisees Who Were Terminated, Canceled, Not Renewed, or Otherwise Voluntarily or Involuntarily Ceased to Do Business Under the Franchise Agreement During our Prior Fiscal Year (or have not communicated with us within 10 weeks of the issuance date of this Disclosure Document):

NONE

**EXHIBIT H
TO THE
FRANCHISE DISCLOSURE DOCUMENT**

FORM OF NONDISCLOSURE AND NONCOMPETE AGREEMENT

(Attached)

CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT

(for trained employees, officers, directors, general partners, members, Operating Principal(s), Key Manager(s), and any other management personnel of Franchisee)

In consideration of my being a [INSERT TITLE/ROLE WITH FRANCHISEE] of _____ (the “Franchisee”), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I (the undersigned) hereby acknowledge and agree that Franchisee has acquired the right from Sticks Franchising, LLC (the “Company”) to: (i) establish and operate a Sticks Kebob Shop franchised business (the “Franchised Business”); and (ii) use in the operation of the Franchised Business the Company’s trade names, trademarks and service marks (collectively, the “Marks”) and the Company’s unique and distinctive format and system relating to the establishment and operation of a Franchised Business (the “System”), as they may be changed, improved and further developed from time to time in the Company’s sole discretion, only at the following authorized and approved location: _____ (the “Premises”).

1. The Company possesses certain proprietary and confidential information relating to the operation of the Franchised Business and System generally, including without limitation: Company’s proprietary and confidential Operations Manual and other manuals providing guidelines, standards and specifications related to the establishment and operation of the Franchised Business (collectively, the “Manual”); Franchisor’s proprietary training materials and programs, as well as proprietary marketing methods and other instructional materials, trade secrets; information related to any other proprietary methodology or aspects of the System or the establishment and continued operation of the Franchised Business; financial information; any and all customer lists, contracts and other customer information obtained through the operation of the Franchised Business and other Sticks Kebob Shop businesses; any information related to any type of proprietary software that may be developed and/or used in the operation of with the Franchised Business; and any techniques, methods and know-how related to the operation of the Franchised Business or otherwise used in connection with the System, which includes certain trade secrets, copyrighted materials, methods and other techniques and know-how (collectively, the “Confidential Information”).

2. Any other information, knowledge, know-how, and techniques which the Company specifically designates as confidential will also be deemed to be Confidential Information for purposes of this Agreement.

3. As [INSERT TITLE WITH RESPECT TO FRANCHISEE] of the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, the Manual, and other general assistance during the term of this Agreement.

4. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term hereof, and the use or duplication of the Confidential Information, in whole or in part, for any use outside the System would constitute an unfair method of competition.

5. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as [INSERT TITLE] of the Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

6. I will surrender any material containing some or all of the Confidential Information to the Company, upon request, or upon conclusion of the use for which the information or material may have been furnished.

7. Except as otherwise approved in writing by the Company, I shall not, while in my position with the Franchisee, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, be employed by, or have any interest in any other business which: (a) is a Mediterranean-themed fast-food, casual, quick-casual or kebob-style eating establishment, or (b) otherwise generates twenty percent (20%) or more of its revenue from the combined sale of kebobs, flatbreads and flatbread wraps, and gyros, or any other approved products that are offered at the Franchised Business, excluding receipts from the sale of alcoholic beverages (collectively, a “Competing Business”). I also agree that I will not undertake any action to divert business from the Franchised Business to any Competing Business or solicit any of the former customers or employees of Franchisee for any competitive business purpose.

7.1 *Post-Term Restrictive Covenant for Controlling Person of Franchised Business or Manager/Officers/Directors of Franchisee.* In the event I am a manager of the Franchised Business, or an officer/director/manager/partner of Franchisee that has not already executed a personal guaranty agreeing to be bound by the terms of the Franchise Agreement, then I further agree that I will not be involved in a Competing Business of any kind for a period of one year after the expiration or termination of my employment with Franchisee for any reason: (i) at or within a 10-mile radius of the Premises; or (ii) within a 10-mile radius of any other Sticks Kebob Shop business that exists at the time my employment with Franchisee ceases through the date of my involvement with the Competing Business. I also agree that I will not be involved in the franchising or licensing of any Competing Business at any location or undertake any action to divert business from the Franchised Business to any Competing Business or solicit any of the former customers or employees of Franchisee for any competitive business purpose, during this one-year period following the termination or expiration of my employment with the Franchisee.

8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Company is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

9. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

10. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security. I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee, or the Company is a separate matter and does not entitle me to violate or justify any violation of this Agreement.

11. I shall not at any time, directly or indirectly, do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Confidential Information and the System.

12. Franchisee shall make all commercially reasonable efforts to ensure that I act as required by this Agreement.

13. Any failure by Franchisor to object to or take action with respect to any breach of this Agreement by me shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by me.

14. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF VIRGINIA AND I HEREBY IRREVOCABLY SUBMIT TO THE JURISDICTION OF THE STATE COURT CLOSEST TO FRANCHISOR'S THEN-CURRENT HEADQUARTERS OR, IF APPROPRIATE, THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF VIRGINIA. I HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. I HEREBY AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON ME IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY VIRGINIA OR FEDERAL LAW. I FURTHER AGREE THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE ONE OF THE COURTS DESCRIBED ABOVE IN THIS SECTION; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

15. The parties acknowledge and agree that each of the covenants contained in this Agreement are reasonable limitations as to time, geographical area, and scope of activity to be restrained and

do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a part, I expressly agree to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made a part of this Agreement.

16. This Agreement contains the entire agreement of the parties regarding the subject matter of this Agreement. This Agreement may be modified only by a duly authorized writing executed by all parties.

17. All notices and demands required to be given must be in writing and sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile or electronic mail, (provided that the sender confirms the facsimile or electronic mail, by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission), to the respective party at the following address unless and until a different address has been designated by written notice.

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile or electronic mail shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three (3) business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other parties. Business day for the purpose of this Agreement excludes Saturday, Sunday and the following national holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving and Christmas.

18. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and inure to the benefit of its respective parent, successor and assigns.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Agreement is made and entered into by the undersigned parties as of the Effective Date.

UNDERSIGNED

Signature: _____

Name: _____

Address: _____

Title: _____

ACKNOWLEDGED BY FRANCHISEE

[FRANCHISEE NAME]

By: _____

Title: _____

**EXHIBIT I
TO THE
FRANCHISE DISCLOSURE DOCUMENT**

FORM OF GENERAL RELEASE

(Attached)

STICKS FRANCHISING, LLC

GRANT OF FRANCHISOR CONSENT AND FRANCHISEE RELEASE

Sticks Franchising, LLC (“we,” “us,” or “our”) and the undersigned franchisee, _____ *[insert name of franchisee entity]* (“you” or “your”), currently are parties to a Franchise Agreement dated _____ (the “Franchise Agreement”) for the operation of a Sticks Kebob Shop franchise at _____. You have asked us to _____ *[insert relevant detail]*. We currently have no obligation under your Franchise Agreement or otherwise to _____ *[repeat relevant detail]*, or we have the right under the Franchise Agreement to condition our approval on your and your owners signing a release of claims. We are willing to _____ *[repeat relevant detail]* if you and your owners give us the release and covenant not to sue provided below in this document. You and your owners are willing to give us the release and covenant not to sue provided below in consideration for our willingness to _____ *[repeat relevant detail]*.

Consistent with the previous introduction, you, on behalf of yourself and your successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, owners, directors, officers, principals, employees, and affiliated entities (collectively, the “Releasing Parties”), hereby forever release and discharge us and our parent and other affiliated entities, and our and their respective current and former officers, directors, owners, principals, employees, agents, representatives, successors, and assigns (collectively, the “Sticks Parties”) from any and all claims, damages, demands, debts, causes of action, suits, duties, liabilities, costs, and expenses of any nature and kind, whether presently known or unknown, vested or contingent, suspected or unsuspected (all such matters, collectively, “Claims”), that you and any other Releasing Party now have, ever had, or, but for this consent, hereafter would or could have against any Sticks Party: (1) arising out of or related in any way to the Sticks Parties’ performance of or failure to perform their obligations under the Franchise Agreement before the date of your signature below, (2) arising out of or related in any way to our offer and grant to you of your franchise, or (3) otherwise arising out of or related in any way to your and the other Releasing Parties’ relationship, from the beginning of time to the date of your signature below, with any of the Sticks Parties. You, on behalf of yourself and the other Releasing Parties, further covenant not to sue any Sticks Party on any Claim released by this paragraph and represent that you have not assigned any Claim released by this paragraph to any individual or entity that is not bound by this paragraph.

We also are entitled to a release and covenant not to sue from your owners. By his, her, or their separate signatures below, your owners likewise grant to us the release and covenant not to sue provided above.

To the extent applicable, each of the parties granting a release acknowledges a familiarity with Section 1542 of the Civil Code of the State of California, which provides as follows:

A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.

Each of the parties granting a release recognizes that he, she, or it may have some claim, demand, or cause of action against the other parties of which he, she, or it is unaware and unsuspecting, and which he, she, or it is giving up by signing this Release. Each of the parties granting a release hereby waives and relinquishes every right or benefit which he, she, or it has under Section 1542 of the Civil Code of the State of California, and any similar statute under any other state or federal law, to the fullest extent that such right or benefit may lawfully be waived.

STICKS FRANCHISING, LLC

By: _____
Title: _____
Date: _____

[Name of Franchisee]

By: _____
Title: _____
Date: _____

[Name of Owner]

[Signature and Date]

EXHIBIT J

STATE EFFECTIVE DATES

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

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

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	May 10, 2022
Washington	
Wisconsin	

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

**EXHIBIT K
TO THE
FRANCHISE DISCLOSURE DOCUMENT
RECEIPTS**

RECEIPT (YOUR COPY)

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

If Sticks Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the Franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that Sticks Franchising, LLC give you this disclosure document at the earlier of the first personal meeting of 10 business days before the execution of the franchise other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that Sticks Franchising, LLC give you this disclosure document at least 10 days before the execution of any binding franchise or other agreement or the payment of any consideration.

If Sticks Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit D.

The franchise seller offering this franchise is/are checked below:

☐ Roy Jones: 513 H Stewart St., Charlottesville, VA 22902 434-373-0017

☐ (Name) _____ (Address) _____ (Phone) _____

☐ (Name) _____ (Address) _____ (Phone) _____

Issuance Date: April 29, 2022

I have received a Disclosure Document with an issuance date of _____ which includes the following exhibits:

Exhibit A – Franchise Agreement	Exhibit G – List of Franchisees and Area Representatives
Exhibit B – Development Agreement	Exhibit H – Form of Confidentiality and Noncompete Agreement
Exhibit C – State Specific Addenda	Exhibit I – Form of General Release
Exhibit D – State Administrators & Agents for Service of Process	Exhibit J – State Effective Dates
Exhibit E – Financial Statements	Exhibit K - Receipts
Exhibit F – Operating Manual Table of Contents	

Date

Prospective Franchisee

Print Name

Date

Prospective Franchisee

Print Name

PLEASE SIGN AND DATE THIS PAGE AND RETAIN THIS COPY IN YOUR POSSESSION AS PART OF YOUR RECORDS

RECEIPT (OUR COPY)

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

If Sticks Franchising, LLC 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.

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If Sticks Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit D.

The franchise seller offering this franchise is/are checked below:

☐ Roy Jones: 513 H Stewart St., Charlottesville, VA 22902 (434) 373-0017

☐ (Name) _____ (Address) _____ (Phone) _____

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Exhibit E – Financial Statements	Exhibit K – Receipts
Exhibit F – Operating Manual Table of Contents	

Date Prospective Franchisee Print Name

Date Prospective Franchisee Print Name

**PLEASE SIGN AND DATE THIS PAGE AND RETURN THIS COPY OF THIS RECEIPT
ACKNOWLEDGMENT PAGE TO US AT:**

**Sticks Franchising, LLC, 513 H Stewart St., Charlottesville, VA 22902 or to
Mail@stickskebobshop.com**