

## FRANCHISE DISCLOSURE DOCUMENT



**Daddy's Chicken Shack Franchising, LLC**  
a Delaware limited liability company  
480 East Happy Canyon Road  
Castle Rock, CO 80108  
844-4DADDYS  
info@daddysfranchising.com  
www.daddysfranchising.com

As a Daddy's Chicken Shack franchisee, you will establish and operate a quick service, fast casual dining restaurant that serves breakfast, lunch, and dinner, and features a menu of chicken sandwiches and bowls, as well as breakfast items, side items, beverages, desserts, and other related items, under the "Daddy's Chicken Shack" trade name and business system.

The total investment necessary to begin operation of a Daddy's Chicken Shack restaurant ranges from \$725,750 to \$1,156,750. This includes the \$37,500 to \$66,500 that must be paid to the franchisor or its affiliates.

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

You may wish to receive this disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, please contact Andrew Beach at 480 E. Happy Canyon Road, Castle Rock, Colorado 801008, [andrew.beach@daddysfranchising.com](mailto:andrew.beach@daddysfranchising.com) and 844-4DADDYS.

The terms of your contract will govern your franchise relationship. Do not 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 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 ("FTC"). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. You also can visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

Your state also may have other laws on franchising. Ask your state agencies about them.

Issuance Date: May 21, 2024

## 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
<b>How much can I earn?</b>	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 <b>Exhibit E</b> .
<b>How much will I need to invest?</b>	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.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or <b>Exhibit B</b> includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Daddy’s Chicken Shack business in my area?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be a Daddy’s Chicken Shack franchisee?</b>	Item 20 or <b>Exhibit E</b> lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	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. <i>See</i> the table of contents.

## What You Need To Know About Franchising Generally

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by litigation or arbitration only in Colorado. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to arbitrate or litigate with the franchisor in Colorado than in your home state.
2. **Spousal Liability.** The franchise agreement may require your spouse (or domestic partner or other immediate family member) to sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
4. **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.
5. **Supplier Control.** You must purchase all or nearly all of the inventory and supplies necessary to operate your business from the franchisor, its affiliates, or from suppliers 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 franchised business.

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.

## **DISCLOSURES REQUIRED BY MICHIGAN LAW**

To the extent the Michigan Franchise Investment Law, Mich. Comp. Laws §§445.1501-445.1546 applies, the terms of this Addendum apply.

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 provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (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 franchise 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, advertising, 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.
- (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 transferee 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.

(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 franchisee has any questions regarding this notice, those questions should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Attn.: Franchise, 670 Law Building, Lansing, Michigan 48913, telephone: (517) 373-7117.

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

To simplify the language in this franchise disclosure document (“**Disclosure Document**”), the terms “**we**”, “**us**”, “**our**”, or “**Franchisor**” mean Daddy’s Chicken Shack Franchising, LLC (“**Daddy’s Chicken Shack**”). The terms “**you**” and “**your**” refer to the individual or business entity which acquires a franchise to operate a Daddy’s Chicken Shack restaurant. The terms “**you**” and “**your**” do not include any individual or business entity which owns an interest in you. We may require all individuals and business entities which own an interest in you to guarantee your obligations to us.

The Franchisor, Its Parent, Predecessors, and Affiliates

We are a Delaware limited liability company formed on February 22, 2021. Our principal business address is 480 East Happy Canyon Road, Castle Rock, Colorado 80108. Our agents for service of process are listed in **Exhibit A** to this Disclosure Document. We do business under our corporate name and the trade name “**Daddy’s Chicken Shack**.” We do not do business under any other name. We began offering franchises for Daddy’s Chicken Shack franchised restaurants in 2021. We began offering franchises for Daddy’s Chicken Shack regional developer businesses (pursuant to a separate disclosure document) in 2022. As of December 31, 2023, we have 12 regional developers in the United States (some of whom have multiple agreements). We have not offered franchises in any other line of business nor do we operate any business of the type being offered to you.

Our parent, Daddy’s Chicken Shack Holdings, LLC (“**Daddy’s Chicken Shack Holdings**”) is a Delaware limited liability company formed on March 3, 2021. Daddy’s Chicken Shack Holdings shares our principal business address. Daddy’s Chicken Shack Holdings has not offered franchises in this or any other line of business. Daddy’s Chicken Shack Holdings is owned by Area 15 Ventures, LLC, a Delaware limited liability company that shares our principal place of business.

Our affiliate, Daddy’s Chicken Shack Operations, LLC (“**Daddy’s Chicken Shack Operations**”) is a Delaware limited liability company formed on February 22, 2021. Daddy’s Chicken Shack Operations shares our principal business address. Daddy’s Chicken Shack Operations has not offered franchises in this or any other line of business. As of December 31, 2023, Daddy’s Chicken Shack Operations operates one Daddy’s Chicken Shack Restaurant in the United States similar to the franchise described in this Disclosure Document.

Our affiliate, Daddy’s Chicken Shack IP, LLC (“**Daddy’s Chicken Shack IP**”) is a Delaware limited liability company formed on February 22, 2021. Daddy’s Chicken Shack IP shares our principal business address. Daddy’s Chicken Shack IP has not offered franchises in this or any other line of business.

Our affiliate, POS Franchising, LLC, a Delaware limited liability company formed on November 10, 2022, began offering franchises for Port of Subs restaurants and Port of Subs regional developer businesses in 2023 following the acquisition of the Port of Subs franchise system in February 2023 by our affiliate, POS Holdings, LLC, a Delaware limited liability company formed on November 10, 2022. As of December 31, 2023, there are 118 open franchised Port of Subs restaurants, and no operating franchised Port of Subs regional developer businesses. POS Franchising, LLC has never offered franchises in any other line of business. POS Holdings, LLC has never offered franchise in this or any other line of business. The principal business address for POS Franchising, LLC and POS Holdings, LLC is 480 East Happy Canyon Road, Castle Rock, Colorado 80108.



We do not have any predecessors. We do not have any affiliates that offer franchises in this or any other line of business, or that provide goods or services to our franchisees.

### The Franchised Business

We offer qualified individuals and business entities the opportunity to operate Daddy's Chicken Shack restaurant businesses ("**Daddy's Chicken Shack Restaurant(s)**" or "**Restaurant(s)**") in specific geographic areas. Daddy's Chicken Shack Restaurants offer quick service, fast casual dining to the general public serving Daddy's Chicken Shack food and beverage products through a menu featuring chicken menu items, such as fried and grilled chicken sandwiches, chicken and waffles, sliders, wings tenders and popcorn chicken, along with a breakfast offering, side items, beverages and desserts and such additional or alternate menu and other items as Daddy's Chicken Shack may designate from time to time for on-premises and off-premises consumption ("**Menu Items**"). Daddy's Chicken Shack restaurants focus on rapid, fresh delivery of menu items across a wide array of delivery methods including dine-in, take-out, curbside pick-up, delivery via available services and catering.

Each Daddy's Chicken Shack Restaurant operates according to our proprietary business format and system ("**System**"), the distinguishing characteristics of which include, among other things, one or more specially-designed buildings or facilities for restaurant operations with specified site furniture, fixtures, kitchen display systems and equipment; site selection and layout criteria; distinctive interior and exterior design, décor, signage color scheme and furnishings, trade dress elements; proprietary products; standards, specifications, policies and procedures for construction and management; quality, distinctiveness and uniformity of products and services; standards, specifications, policies and procedures for restaurant operations; training and assistance; and advertising and promotional programs, all as more particularly described and designated in the Manuals (defined below) and all of which we may change, improve, and further develop at its option from time to time. We identify the System by certain licensed trade names, service marks, trademarks, logos, emblems, including the name and mark, DADDY'S CHICKEN SHACK. Your Daddy's Chicken Shack Restaurant will operate under the mark "DADDY'S CHICKEN SHACK" and other associated marks that we now and in the future may designate as part of the System (collectively, the "**Proprietary Marks**").

We offer the right to operate one Daddy's Chicken Shack Restaurant using the System and Proprietary Marks at or from a physical premises located within the Designated Area (defined below) under the terms of a single unit franchise agreement (the "**Franchise Agreement**"), attached to this Disclosure Document as **Exhibit C**. If, at the time you enter into the Franchise Agreement, a location for the Restaurant has not been approved, you must lease, sublease, or acquire a site for your Restaurant, subject to our approval, under a site selection addendum, which is attached to the Franchise Agreement ("**Site Selection Addendum**"). The procedures for finding, selecting, and receiving authorization for a location for the Restaurant under the Site Selection Addendum are described in Item 11 of this Disclosure Document. You will operate your Daddy's Chicken Shack Restaurant at a physical premises located within an area that is designated in the Franchise Agreement (the "**Designated Area**"). Item 12 of this Disclosure Document, and the Franchise Agreement, will describe the rights that you and we will have regarding the Designated Area. Daddy's Chicken Shack Restaurants are typically 1,800 to 2,400 square feet and located in high traffic environments with good visibility and at least a single-lane pick-up drive-thru, in stand-alone, in-line and end cap facilities.

You must operate your Daddy's Chicken Shack Restaurant according to our standards and procedures, as set forth in our confidential operations manuals (the "**Manuals**"). We will lend you a copy of the Manuals for the duration of the Franchise Agreement. We may periodically change and improve the System, and you must promptly comply with all new or changed items.

We also offer an optional program (the “Regional Developer Program”) under which a franchisee receives the right to identify and qualify Daddy’s Chicken Shack potential franchisees within a specified geographic area. We have a separate disclosure document and regional developer agreement (“Regional Developer Agreement”) pertaining to our Regional Developer Program. If you participate in the Regional Developer Program, you must enter into a Regional Developer Agreement with us. See Exhibit E for additional information regarding our existing regional developers.

### Market and Competition

The market for restaurants generally is highly competitive and fragmented; the number, size and strength of competitors may vary widely by geographic region, especially within the full-service casual dining category. There is active competition among restaurants based upon quality of food products, customer service, management personnel, reputation, restaurant décor, location, name recognition, and price. You will compete with other restaurants offering a wide variety of menu items and alcoholic and non-alcoholic beverages and other competing concepts. Competitors may be locally owned or large, regional, or national chains. The restaurant business is also affected by changes in general economic conditions (including economic uncertainty), consumer preferences and demographics as well as negative publicity related to core menu items or food-borne illness and increase in prices of and/or reductions in the availability of commodities. Full-service industry restaurants are subject to seasonal fluctuations comparable to most restaurants (for example, during holiday seasons).

### Industry Specific Laws and Regulations

In addition to the laws, regulations, and ordinances applicable to the businesses generally, like the Americans with Disabilities Act, federal wage and hour laws, and the Occupational Safety and Health Act, you should consider that certain aspects of the restaurant and related bar business are heavily regulated by federal, state, and local laws, rules, and ordinances.

The U.S. Food and Drug Administration and the U.S. Department of Agriculture, as well as state and local departments of health and other agencies, have laws and regulations concerning the preparation of food and sanitary conditions of restaurant facilities. State and local agencies routinely conduct inspections for compliance with these requirements. Under the Clean Air Act and state implementing laws, certain state and local areas are required to attain, by the applicable statutory guidelines, the national air quality standards for ozone, carbon monoxide and particulate matters. Certain provisions of these laws impose caps on emissions resulting from commercial food preparation.

Some state and local authorities have adopted, or are considering adopting, laws or regulations that would affect the content of food served in restaurants, such as the level of sodium and trans fats contained in a food item. The U.S. Food and Drug Administration has issued regulations that require certain restaurants and retail food establishments to post caloric information on menus and menu boards and to provide additional written nutrition information to consumers upon request.

You should consider these laws and regulations when evaluating your purchase of a franchise.

## **ITEM 2 BUSINESS EXPERIENCE**

Chairman: Dave Liniger

Mr. Liniger has served as our Chairman since our inception in February 2021. He served as our Chief Executive Officer from May 2023 to March 2024. He has served as the Chairman of POS Franchising,

LLC, since November 2022. He is also the Chairman of the Board and Co-Founder of RE/MAX, LLC, a leading real estate franchise company, and has served in these positions since January 1973. He serves or has served in these positions in Denver, Colorado.

Director and Chief Executive Officer: Dave L. Liniger, Jr.

Mr. Liniger has served as our Chief Executive Officer since March 2024 and a director since our inception in February 2021. He served as our President from May 2023 to December 2023. He has also served as a partner with Area 15 Ventures, LLC since September 2022. Prior to that, he was the Manager of Big Iron Motorsports, LLC from January 2015 to September 2022. He serves or has served in these positions in Castle Rock, Colorado.

Director: Gail Liniger

Mrs. Liniger has served as a director since our inception in February 2021. She has also served as the Vice Chair of the RE/MAX, LLC board of directors since January 2002. She has served in these positions in Denver, Colorado.

Secretary, Treasurer, Chief Financial Officer, and Director: Daniel J. Predovich

Mr. Predovich has served as our Secretary, Treasurer, Chief Financial Officer and Director since our inception in February 2021. Mr. Predovich has also served as Secretary, Treasurer, Chief Financial Officer, and Director for POS Franchising, LLC since November 2022. He has also served as a partner and Chief Financial Officer with Area 15 Ventures, LLC since November 2021. He serves or served in these positions from Castle Rock, Colorado. Prior to that, Mr. Predovich was the owner of Predovich & Company, CPAs from January 1989 to November 2021, in Douglas County, Colorado. Mr. Predovich also served on the Board of Directors of RE/MAX Holdings, Inc. from January 2004 to January 2022 in Denver, Colorado.

President: Tony Adams

Mr. Adams has served as our President since March 2024. Mr. Adams has also served as Chief of Staff for Area 15 Ventures, LLC since June 2022. Prior to joining us Mr. Adams was the Chief Operating Officer of Motto Mortgage from October 2022 to November 2022. Prior to that, he was Co-Founder and Chief Operating Officer of Do the Bang Thing Salon from January 2011 to November 2020. He served or serves in these positions from Castle Rock, Colorado.

Vice President of Finance & Accounting: David DeArment

Mr. DeArment has served as our Vice President of Finance and Accounting since October 2023. He has also served as Vice President of Accounting and Finance for Area 15 Ventures, LLC and POS Franchising LLC since October 2023. Previously, he served as Chief Financial Officer for Roth Industries, in Colorado Springs, Colorado, from May 2022 to July 2023. He served as Vice President of Finance and Accounting for Corner Bakery, in Golden, Colorado, from October 2020 to May 2022. From February 1996 to May 2022, he served in various positions for Boston Market, in Golden, Colorado, including as its Vice President of Finance and Accounting from April 2020 to May 2022.

Vice President of Franchise Sales: Andrew Beach

Mr. Beach has served as our Vice President of Franchise Sales since March 2024. He has also served Vice President of Franchise Sales for our affiliate POS Franchising LLC since July 2023. He has also served as co-owner of Divine Digital Agency, in Naples, Florida, since May 2022. He served as co-founder of Nuture

Brands, in San Diego, California, from May 2021 to January 2023. He served as Regional Vice President of Franchise Sales for F45 Training, in Los Angeles, California, from August 2019 to March 2021. He served as Director of Franchise Sales for Generation Next Franchise Brands, in San Diego, California, from August 2017 to August 2019. Except where otherwise stated, he served or serves in these positions from San Diego, California.

Franchise Advisor: Dr. Ben Litalien, CFE

Dr. Litalien is our Franchise Advisor. He was our Chief Development Officer from our inception in February 2021 until December 2023. He was Chief Development Officer for POS Franchising, LLC, from November 2022 until December 2023, and has served as a Franchise Advisor for it since January 2024. He has been the Founder and President of Franchise Well, LLC in Stafford, Virginia since October 2007. He has been Chief Development Officer of fit20 USA Franchising, LLC since March 2018, and President since December 2022. He has served as Chief Development Officer for Dill Dinkers Franchising, LLC since April 2023. He served as a director of Zerorez Franchising System, Inc. from September 2017 until March 2022. He has been a director of Brain Balance Holdings, Inc. since June 2016 and a director of JIBU Holdings, L3C since January 2014. He has also been an adjunct associate professor at The University of Maryland Global Campus in College Park, Maryland since October 2010. Additionally, Dr. Litalien serves as adjunct faculty at Georgetown University in Washington, D.C., where he has taught the franchise management program since September 2008. He has also served as adjunct faculty at the Liniger Center on Franchising at the University of Denver since April 2023. Except as otherwise stated, Dr. Litalien serves or served in the above positions from his office in Stafford, Virginia.

Vice President of Franchise Relations & Construction: Mike Rincon

Mr. Rincon has been our Vice President of Franchise Relations & Construction since March 2022. Prior to joining us, he was the Onboarding Manager for fit20 USA, LLC in Stafford, Virginia from March 2018 to March 2022. He served as a Franchise Consultant for Franchise Well, LLC in Stafford, Virginia from September 2017 to March 2022. He was the managing director of Easy Street, LLC, a franchisee of Zerorez, a carpet and tile cleaning franchise in Stafford, Virginia, from December 2013 until February 2020.

Vice President of Franchise Operations & Training: Fred Malone

Mr. Malone has served as our Vice President of Franchise Operations & Training since August 2023. Previously, he was Director of Franchise Operations for Inspire Brands, in Denver, Colorado, from July 2011 to February 2023.

Director of Marketing: Melanie Koch

Ms. Koch has served as our Director of Marketing since May 2024. Prior to joining us, she served as Director of Marketing for Pizza Inn / RAVE Restaurant Group, in The Colony, Texas, from October 2022 to May 2024, Director of Marketing for District Taco, headquartered in Falls Church, Virginia, from December 2021 to October 2022, and Social Media & Marketing Director for Trapper's Sushi Co., headquartered in Federal Way, Washington, from January 2019 to December 2021.

Franchise Development Manager: Daniel Arabi

Mr. Arabi has served as our Franchise Development Manager since April 2023. He previously served as the Director of Franchise Sales for Acapela Modern Mex Franchising, LLC, from December 2022 to April 2023. Prior to that, he was a franchisee of The Baked Bear from January 2017 to December 2022. Mr. Arabi serves or served in the above positions from his offices in San Diego, California.

Franchise Development Manager: Jamie Vanderwoude

Ms. Vanderwoude has served as our Franchise Development Manager since July 2023. She previously served as registered nurse for Craig Hospital, in Englewood, Colorado, from February 2009 to September 2023.

Director of Information Technology: David Burns

Mr. Burns has served as our Director of Information Technology since March 2024. He has also served as Director of Information Technology for POS Franchising, LLC since July 2023, and was previously its Information Technology Manager from March 2023 until July 2023. Previously, he was Information Technology Manager with Port of Subs, Inc., from August 2007 until March 2023. He serves or served in his positions from Reno, Nevada.

Head of People: Susan Zimmerman

Ms. Zimmerman has been our Head of People since November 2022. She has also served as Head of People for POS Franchising, LLC since November 2022. Prior to joining us, Ms. Zimmerman was the Senior Vice President, Human Resources for RE/MAX, LLC in Denver, Colorado from July 2014 until December 2022. Ms. Zimmerman serves or served in these positions in Denver, Colorado.

Franchise Business Consultant: Chris Orozco

Mr. Orozco has been a Franchise Business Consultant for us since April 2024. Previously, he was a General Manager for DCS Unit 1 LLC d/b/a Daddy's Chicken Shack, in Castle Rock, Colorado, from January 2023 to April 2024, an Operating Partner for Zacher Enterprises d/b/a Sonic Drive-In, in Castle Rock, Colorado, from October 2020 to November 2022, and Operations and Training Leader for RB Holdings d/b/a Fuzzy's Taco Shop, in Timnath, Colorado, from May 2024 to October 2020.

Unless otherwise specified, each position listed above is or was based in Castle Rock, Colorado.

**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

When you sign the Franchise Agreement, you will pay us an initial lump sum franchise fee of \$45,000 ("**Initial Franchise Fee**"). If you are a qualifying honorably discharged United States veteran, you will receive a 50% discount off the Initial Franchise Fee for your first Franchise Agreement. This discount is only granted to new franchisees and is not available to existing franchisees or regional developers. We may discontinue or modify this discount program at any time.

### Training Fee

When you sign the Franchise Agreement, you will pay us a training fee of \$5,000 (“**Training Fee**”) for your Principal Trainees (defined in Item 11 below) to attend our initial training program (“**Initial Training Program**”).

### Grand Opening

You must spend at least \$10,000 (“**Grand Opening Program Amount**”) for your Restaurant’s initial grand opening pursuant to a grand opening marketing plan that you and we will collaborate and agree upon (“**Grand Opening Program**”). The Grand Opening Program will start approximately 60 days prior to the soft opening of your Restaurant and will generally be completed within 60 days after your Restaurant commences operation. We can require you to pay the Grand Opening Program Amount, in which case we will use the Grand Opening Program Amount to develop and implement the Grand Opening Program for your Restaurant. If we spend additional amounts on advertising as part of the Grand Opening Program, in amounts that you and we agree are part of the Grand Opening Program, you must reimburse us for the additional costs within 15 days after your receipt of notice from us. You may spend additional sums as you deem necessary or appropriate in connection with the opening of the Restaurant. We estimate that you will spend \$10,000 to \$15,000 in connection with your Restaurant’s grand opening.

### Site Review

If we determine that an on-site evaluation of a site you propose for your Restaurant is appropriate, you must reimburse us for all costs incurred by our representative in visiting the site, including travel, lodging, and meals. We estimate such costs will not exceed \$1,500. Upon payment, these costs are non-refundable.

The Initial Franchise Fee, Training Fee, Grand Opening Program Amount (if collected by us), and Site Review reimbursements (if any) are fully earned and non-refundable when paid, and are uniformly applied.

## **ITEM 6 OTHER FEES**

<b>Type of Fee<sup>1</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fee <sup>2</sup>	6% of Gross Sales.	Within two days after the close of each Sales Week.	Electronic Funds Transfer (“ <b>EFT</b> ”).
Brand Development Fund Contribution	Currently 0% of Gross Sales, but if the Brand Development Fund is established, 1% of Gross Sales. <sup>3</sup>	15th day of each month based upon the Gross Sales for the immediately preceding calendar month.	
Local Advertising	Greater of 2% of Gross Sales or \$2,000 per month. <sup>4</sup>	As incurred.	Various third-party suppliers.
Technology Fee <sup>5</sup>	Then-current amount (currently \$1,650 per month).	Monthly.	Upon notice to you, we may increase or otherwise adjust this fee based on increases in our costs or changes in the technologies you must obtain through us.

<b>Type of Fee<sup>1</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Late Payment / Late Report Charges	\$100 for each week or part of a week that any payment or report is late, and interest on such amount from the date it was due until paid at the lesser rate of 1.5% per month or the maximum rate permitted by law.	Immediately upon notice from us.	
Additional Training/ Assistance	Our then-current fee for such assistance, which is currently \$500 per day, plus expenses.	As incurred.	If you request that we provide on-site training in addition to the initial training, refresher training, and/or training after opening we may provide.
Remodeling	Up to \$500,000 upon expiration of every 5-year period following the opening of the Restaurant.	As incurred.	Various third-party suppliers.
Transfer Fee	\$10,000.	The earlier of (a) when the transferee signs the new franchise agreement, or (b) when the transferee begins training.	
Renewal Fee	25% of our then-current initial franchise fee for a new Daddy's Chicken Shack Restaurant.	Prior to renewal.	
Local Marketing Cooperative Fee	Up to 3% of Gross Sales. <sup>6</sup>	Monthly.	The amount you pay will offset your obligation to pay for Local Advertising up to 2% of Gross Sales.
Audit Fees and Expenses	Cost of audit, plus late fees.	Immediately after notice from us.	Payable only if the audit shows that you understated your Gross Sales by more than 2%.
Annual Convention	Currently \$49. <sup>7</sup>	Prior to convention or conference.	
Software Fees	Our then-current fee (if we license software to you). <sup>8</sup>	As incurred.	Payable if we elect to you have license software from us or our affiliates.

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
Alternative Supplier Review	Our then-current fee not to exceed the reasonable cost of an inspection or actual cost of our test.	As incurred.	Payable to us if you request our approval of an unapproved supplier of any product or service, and we inspect the opposed supplier's facilities or test samples.
Liquidated Damages <sup>9</sup>	Based on formula. <i>See</i> note 9.	Within 10 days following effective date of termination.	Payable to us as liquidated damages if we terminate the Franchise Agreement due to your default.
Indemnification Costs	Actual legal damages, fees, costs, and expenses.	As incurred.	You must pay for the cost of defending us against any liability as a result of your operations.

### NOTES

1. Unless otherwise noted, all fees are payable to us and non-refundable. At our option, all payments to us (other than the Initial Franchise Fee), must be made via automatic bank draft. We uniformly impose the fees described above.
2. “**Gross Sales**” means all revenue from the sale of all products, including all menu items and all other products or services offered at or from you Restaurant, and all other income of every kind and nature related to, derived from, or originating from your Restaurant, including proceeds of any business interruption insurance policies, whether at retail, delivery, catering, or wholesale (whether such sales are permitted or not), whether for cash, check, or credit, and regardless of collection in the case of check or credit. “Gross Sales” excludes any customer refunds, discounts from coupon sales, sales taxes, and/or other taxes collected from customers by you and actually transmitted to the appropriate taxing authorities, and third-party delivery fees (*e.g.*, UberEats) paid by you or your Restaurant’s customers for the delivery of Menu Items to Restaurant customers. “**Sales Week**” means the period starting with the commencement of business on Monday and concluding at the close of business on the following Sunday.
3. We may establish a brand development fund (“**Brand Development Fund**”). Once we have established our Brand Development Fund, you will be required to contribute to the Brand Development Fund 1% of your monthly Gross Sales. Thereafter, the Brand Development Fund Contribution may be increased by no more than 1% of Gross Sales per year up to a maximum of 5% of Gross Sales.
4. The amounts you will pay for the direct costs of purchasing and producing advertising materials (including, but not limited to, camera ready advertising and point-of-sale materials), media (space or time), and those direct out-of-pocket expenses related to costs of advertising and sales promotion spent by you in the Designated Area (“**Local Advertising**”), advertising agency fees and expenses, postage, shipping, telephone, and



photocopying. The amounts you will pay for Local Advertising and Promotion will not include costs or expenses incurred by or on behalf of you in connection with: (a) salaries and expenses; (b) charitable, political, or other contributions or donations; (c) the value of discounts provided to customers; and (d) the cost of food items.

5. The Technology Fee covers your access to certain technology systems, services, platforms, and software we require you to obtain or access through us, as we deem necessary and advisable, including, for example, licenses, subscriptions, development, maintenance, and/or access to our required point-of-sale software and platform, intranet, online ordering system, streaming music software, learning management system, and a Daddy’s Chicken Shack email address. We may make changes to the types, nature, and ultimate vendor of technology systems, services, platforms, and software we require you to obtain or access through us. Your precise monthly Technology Fee may change if there are changes in any aspect of the Computer System or in the technology systems, services, platforms, and software we require you to obtain or access through us, or in our costs regarding such technology systems, services, platforms, and software.
6. We currently do not have a market brand development and promotional cooperative fund (“**Local Marketing Cooperative**”) in any geographical area, but we may establish Local Marketing Cooperatives in any geographical areas at our sole discretion. Item 11 contains more information about the Local Marketing Cooperative.
7. We may conduct an annual convention that our franchisees are required to attend. You will be responsible for your and any approved attendees’ costs and expenses to attend the convention, including transportation, meals and lodging. We may charge a registration fee for franchisees to attend the annual convention.
8. Item 11 contains more information about Computer System, software, and other technology requirements.
9. If we terminate the Franchise Agreement due to your default, you will pay us liquidated damages in an amount equal to the product of the average yearly amount of Royalty Fees paid during the 3 years immediately preceding the termination (or such period as the Restaurant was open for business, if the Restaurant was not open for business during the entire three-year period), multiplied by the lesser of 3 or the number of years remaining in the then-current term.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

Type of Expenditure <sup>1</sup>	Amount	Method of Payment	When Due	To Whom Paid
Initial Franchise Fee <sup>2</sup>	\$22,500 to 45,000	Lump Sum	Upon signing Franchise Agreement	Us
Site Review <sup>2</sup>	\$0 to \$1,500	Lump Sum	As Invoiced	Us

Type of Expenditure <sup>1</sup>	Amount	Method of Payment	When Due	To Whom Paid
Training Fee & Expenses <sup>2</sup>	\$5,750 to \$7,750	Lump Sum to us regarding Training Fee (\$5,000); Otherwise, As Agreed	Upon signing Franchise Agreement; As Agreed	Us; Third Parties
Architectural, Engineer, and Legal Counsel <sup>3</sup>	\$17,500 to \$34,000	As Agreed	As Agreed	Approved Vendors or Third Parties
Construction Management	\$13,500 to \$18,000	As Agreed	As Agreed	Vendors or Third Parties
Real Estate, Leasehold Improvements, and Construction Costs <sup>4</sup>	\$234,000 to \$455,000	As Incurred	Prior to Opening	Various
Signage, Graphics & Interior Décor Items	\$18,000 to \$21,000	As Incurred	Prior to Opening	Approved Vendors or Third Parties
Furnishings, Fixtures and Equipment <sup>5</sup>	\$296,000 to \$409,000	As Agreed	As Agreed	Approved Vendors or Third Parties
POS and Technology Systems including Initial Setup <sup>6</sup>	\$46,500 to \$58,500	As Incurred	Prior to Opening	Approved Vendors
Insurance <sup>7</sup>	\$1,500 to \$3,500	As Arranged	As Agreed	Vendors
Initial Inventory & Smallwares	\$10,500 to \$13,500	Lump Sum	Prior to Opening	Approved Vendors or Third Parties
Grand Opening Marketing <sup>2</sup>	\$10,000 to \$15,000	Various	As Incurred	Various (which may include Us)
Licenses, Fees and Deposits <sup>8</sup>	\$5,000 to \$15,000	As Incurred	As Incurred	Various
Additional Funds – Initial 3 months <sup>9</sup>	\$45,000 to \$60,000	Various	As Incurred	Various
<b>TOTAL<sup>10</sup></b>	<b>\$725,750 to \$1,156,750</b>			

### NOTES

- The chart above describes the estimated initial investment for a Daddy’s Chicken Shack Restaurant operated from a leased facility. We prepared these estimates based on the experience and data collected from our affiliate-owned operating experience and the franchise locations that have opened. Inflation may impact various costs, including, among others, furnishings, fixtures, signs, décor items, building costs, technology, and equipment. Except as expressly indicated otherwise, these estimates are intended to estimate the required initial cash investment up to the opening date of a Daddy’s Chicken Shack Restaurant, and potential working capital needs for the first 90 days of operations thereafter. They do not include cash needs to cover any financing incurred or other expenses. You should not plan to draw income from your Daddy’s Chicken Shack

Restaurant during the start-up and development stage of your business, the actual duration of which will vary materially from one franchisee to another. The amount of necessary reserves will vary greatly from franchisee to franchisee and will depend upon many factors, including the rate of growth and success of a Daddy's Chicken Shack Restaurant which, in turn, will depend upon factors such as public awareness of the business, the franchisee's ability to operate efficiently and in conformance with our recommended methods of doing business, and competition. Because the exact amount of reserves will vary from business to business, you should retain the services of an experienced accountant or financial advisor to develop a business plan and financial projections for your Daddy's Chicken Shack Restaurant. We have no obligation to refund any costs paid to us. Whether any third party will refund any costs will depend on the third party involved. We recommend that you consult an attorney of your own choosing to review this Disclosure Document and the Franchise Agreement, as well as an independent accountant to review the attached financial statements, before signing the Franchise Agreement.

2. See Item 5 for additional information regarding the Initial Franchise Fee, Training Fee, Site Review reimbursements, and the Grand Opening Program.
3. Additionally, you will need to solicit the services of an architect approved by Daddy's Chicken Shack to prepare, for our approval, preliminary plans and specifications for site improvement and construction of your Restaurant based upon the site construction package furnished by us.
4. We expect that you will either purchase or lease the real estate for your Restaurant. Monthly rental rates could range between \$8,000 to \$20,000 per month based upon local market availability, size, condition, location of the property, and negotiations with the landlord. The figures above include the estimated cost of one month's rent. The rent will vary depending on the size and location of your Restaurant. Often, the first month's lease payment becomes due upon execution of the lease. We based the amounts on a build-to-suit or build-out lease from a third party, which includes land, building and construction costs. The lease you sign also may include percentage rent, contributions for taxes, common area maintenance fees, and payments for utilities, security deposits, and other items, which may result in higher monthly payments. Should you choose to purchase and pay separately for the construction of the building, you should adjust the total investment costs to cover the actual land and development costs. Land acquisition costs may range from an estimated low of \$1,000,000 to an estimated high of \$5,000,000. The range of the cost of construction of the Restaurant building and on-site and off-site work will vary depending on local conditions, the size and type of building that you select, and the real estate transaction that you structure. The costs of building permits and fees from any governmental agencies and utilities may vary greatly as well, depending on location.
5. This estimate is based on leasing 2,000 square feet of space for a Restaurant and applying our requirements to the space as outlined in the Manuals, which includes designated paint colors and schemes, flooring, furnishings, fixtures, kitchen display systems and equipment. The total costs of the furnishings, fixtures, kitchen display systems and equipment will depend on the vendors' pricing, circumstances at a location, a franchisee's distance from vendors, shipping charges, reimbursement of costs to technicians for lodging, meals and travel expenses and similar variables, including point-of-sale equipment, ancillary small computer hardware and software items, small wares related to kitchen equipment, and the sign and awning package, all of which a franchisee must purchase or lease.

6. You must obtain a computer and technology equipment as prescribed in the Manuals for use within your Daddy's Chicken Shack Restaurant. *See* Item 11.
7. You must carry insurance for the types of coverages and in the amounts that we specify in the Franchise Agreement and the Manuals. The amount listed above represents our best estimate of the premiums for the insurance coverage that we require during a Daddy's Chicken Shack Restaurant's first year of operation. Insurance costs vary in different locations. You may be required to obtain certain licenses or certifications to operate your Daddy's Chicken Shack Restaurant. Requirements vary by state.
8. The range given provides our best estimate of the costs a franchisee will incur for business permits, licenses, first and last month's rents, a security deposit to lease an approved location, and miscellaneous deposits, including utility deposits.
9. This is an estimate of miscellaneous expenses a franchisee will incur before operations begin and during the first three months of operating the business. Many of the initial expenses, such as advertising, payroll, insurance, and transitional living expenses, will repeat on a monthly basis, and you should therefore make sure you have sufficient additional funds to meet the franchise business operation commitments during the first 90 days of operation. Costs will depend on factors like the size of the Restaurant; how closely a franchisee follows our methods and procedures; a franchisee's management skill, expenses and business acumen; financing costs; local economic conditions; the local market for Restaurants; the prevailing wage rate; competition; and the sales level reached during the initial period.
10. This total estimate is for expenses incurred before operations begin and during the first three months of operating the business. You should review the amounts listed above carefully with a business advisor before making any decision to purchase the franchise. This is an estimate only and the actual cost can vary largely depending on the site-specific conditions and requirements for each location. We do not offer any financing directly or indirectly for any part of the initial investment.

## **ITEM 8**

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

#### Required Purchases and Operation Standards

You must develop your Restaurant premises and purchase, lease, license, and install and use all equipment, food products, beverages, ingredient, supplies, fixtures, furnishings, computer, audio-visual, and point-of-sale systems, décor, signs, goods, uniforms, memorabilia, and merchandise and items intended for retail sales (whether or not bearing the Proprietary Marks), payment processing services, music services, and other products and services for your Restaurant according to our standards and specifications, contained in the Manuals or that we otherwise provide in writing, solely from the suppliers we have approved in writing (which may be us or our affiliate), unless you have first obtained our written consent to do otherwise. We may modify our standards and specifications from time to time. We will notify you of any changes to our standards and specifications.

Generally, you must purchase all goods, products, menu items, ingredients, foodstuffs, beverages, packaging materials, signage, furniture, fixtures, equipment, computer hardware and software, and small wares used to operate or furnish your Restaurant from approved suppliers who demonstrate the ability to meet our standards and specifications and whom we have approved in writing. In the operation of your

Restaurant, you are required to use only displays, trays, boxes, bags, wrapping paper, labels, forms, and other paper and plastic products imprinted with our Proprietary Marks in accordance with our then-current standards and specifications. You may purchase items and services for which we have not identified approved suppliers from any supplier, if the items and services meet our minimum standards and specifications. These standards and specifications will be set forth in the Manuals, and may include brand requirements. If brand requirements have been identified, you may purchase and use only approved brands. We may modify these standards and specifications, as well as the other standards and specifications discussed in this Item 8, by providing you with written notification.

We may appoint only one supplier for any particular good or service, and we may designate ourselves or our affiliate as the only, or one of a limited number of, suppliers for any goods or services. Currently, neither we nor any of our affiliates are an approved or sole supplier of any goods or services. We will provide you with a list of approved suppliers, which we may update from time to time. In addition to approved suppliers, we may require you to buy your requirements of food, beverages, ingredients, and supplies from affiliated or third-party distributors. Some suppliers may require you to enter into a separate agreement with them.

In connection with your local marketing, you must use advertising, promotional, and marketing materials that we have prepared or approved, and you must use a national or regional advertising agency acceptable to us.

Except for certain officers' interest in us, none of our officers own an interest in any required or approved supplier, although we reserve the right in the future to designate, as an approved supplier, any supplier in which any of our officers owns an interest.

We estimate that the costs of your purchases from designated or approved sources, or according to our standards and specifications, will range from 90% to 100% of the total cost of establishing your Daddy's Chicken Shack Restaurant and approximately 90% to 100% of the total cost of operating your Daddy's Chicken Shack Restaurant after that time.

#### Approval of Alternative Products, Services and Suppliers

If you desire to purchase any unapproved products or services, or purchase any products or services from a supplier not previously approved, you must obtain our prior written approval. In determining whether to approve any products, services, or supplier, we consider various factors, including, for example: for products and services, those that meet our then-current standards and specifications, and for suppliers, suppliers who (i) can demonstrate the ability to meet Daddy's Chicken Shack's then-current standards and specifications for such products and services; (ii) possess adequate quality controls and capacity to supply your needs promptly and reliably; (iii) enable the network of Daddy's Chicken Shack Restaurants to take advantage of marketplace efficiencies; and (iv) have been approved in writing by us prior to any purchases of such supplier's products or services by franchisees.

As a condition to granting approval for any unapproved products or services, or any products or services from an unapproved supplier, you must first submit to us a written request for such approval. We or our representatives may inspect the unapproved products or services, or in the case of an unapproved supplier, the supplier's facilities, and may require samples of the products be delivered, either to us or to an independent laboratory we designate for testing. For approval of suppliers, we may also require that the supplier comply with such other requirements we may deem appropriate, including payment of reasonable continuing inspection fees and administrative costs, or other payment to us by the supplier on account of their dealings with you or other franchisees. If we elect to inspect the proposed supplier's facilities or test samples, you or the proposed supplier must pay a fee not to exceed the reasonable cost of the inspection

and the actual cost of the test. We may reinspect from time to time the facilities and products or services of any approved supplier and revoke our approval upon the supplier's failure to continue to meet any of our then-current criteria.

### Computer System, Software and Other Technology

You must purchase, lease, license, and/or subscribe to solely from suppliers that we approve in writing (which may be us or our affiliate) a Computer System (as defined in Item 11 below) that meets our specifications, which are further detailed in Item 11, including any required hardware and software indicated in the Manuals. We may require that you purchase, lease, license, and/or subscribe to additional hardware, software, or other technology systems, services, or platforms we specify, meeting our minimum specifications, including any proprietary or customized software that we may develop or have developed on our behalf.

If we require you to obtain or access any aspects of the Computer System or related technology systems, services, platforms, and software from or through us, you must pay us a monthly Technology Fee, as further detailed in Item 6. The current Technology Fee is \$1,650 per month. We currently require you to obtain or access our required point-of-sale software and platform, intranet, online ordering system, streaming music software, learning management system, and a Daddy's Chicken Shack email address from or through us. We may make changes to the types, nature, and ultimate vendor of any aspect of the Computer System or any technology systems, services, platforms, and software we require you to obtain or access from or through us. Your precise monthly Technology Fee may change if there are changes in any aspect of the Computer System or in the technology systems, services, platforms, and software we require you to obtain or access through us, or in our costs regarding such technology systems, services, platforms, and software.

### Insurance

You must obtain and maintain at your own expense insurance policies with insurers reasonably satisfactory to us covering the items specified in the Franchise Agreement and/or Manuals, including comprehensive general liability, fire, business income and extra expense, automobile liability, workers' compensation, commercial umbrella liability, property, products liability, cyber liability and employment practices. We may change the insurance coverages and policies we require from time to time. Each insurance policy must be issued by an insurance company or companies we approve, who must have an A.M. Best Rating of at least A-VII in the most recent Key Rating Guide published by the A.M. Best Company and who is licensed to do business in the state in which your Restaurant is located. These policies must be primary and non-contributory to any policies we might carry and include a waiver of subrogation in our favor. The policies must list us and our affiliates, and our and their officers, directors, employees, partners, members, subsidiaries, employees and agents as additional named insureds. The policies must provide that we will receive written notice of cancellation, material change, or non-renewal. You must deliver to us (and in the future maintain on file with us) valid and current certificates of insurance showing that all required insurance is in full force and effect, or any other evidence of coverage that we may require, 30 days prior to commencement of any activities or operations pursuant to the Franchise Agreement, 30 days prior to the expiration or renewal of any such policy, on each anniversary of the effective date of the Franchise Agreement, and from time to time upon written request from us. If you do not provide proof of insurance to us as required under the Franchise Agreement, we may secure insurance for you and charge the cost to you. We require you to obtain the following coverages and amounts:

<b>Insurance Policy Type</b>	<b>Required Coverage</b>
Comprehensive General Liability	\$2 million aggregate for bodily injury liability and property damage/\$1 million per occurrence, with no exclusion for third-party delivery services or communicable diseases.
Fire	100% of replacement value of premises.
Business Income and Extra Expense	Amount required to pay for monthly rent reserved under lease or sublease for a limit of 50% of annual sales or 12 months actual loss.
Automobile Liability	\$1 million per occurrence for bodily injury and property damage, with no exclusion for delivery.
Workers' Compensation	\$1 million per accident/\$1 million by disease policy limit/\$1 million by disease each accident.
Commercial Umbrella Liability	Amount with limits which bring the total of all primary underlying coverages to \$3 million.
Property	Coverage for direct physical loss or damage to real and personal property for all risk perils.
Products Liability	\$1 million.
Cyber Liability	Amount we designate (currently \$1 million).
Employment Practices	\$1 million for employment-related wrongful acts (including third-party coverage for harassment and discrimination of non-employees) and \$100,000 for third-party coverage and wage-and-hour defense costs.
Trade Name Restoration	\$500,000 to provide coverage for actual or alleged food borne illness outbreak or contamination event at any Daddy's Chicken Shack Restaurant.
Other	Any other coverage required by federal, state, or municipal law.

#### Revenue from Franchisee Purchases

We and our affiliates do not currently derive revenue or other material consideration from required purchases or leases by franchisees; however, we and our affiliates may become an approved or required supplier and earn revenue from franchisees' required purchases or leases in the future. In the fiscal year ended December 31, 2023, neither we nor our affiliates derived revenue or other material consideration from required purchases or leases by franchisees.

We and our affiliates do not currently receive payments, rebates, commissions, marketing or promotional allowances, discounts, and/or other consideration from suppliers based on franchisees' purchases from such approved suppliers; however, we and our affiliates reserve the right to do so in the future. If that occurs, we and/or our affiliates may retain all of the rebates, payments, commissions, allowances, discounts, or other consideration we or they are paid, and have the right to use these amounts without restriction (unless we or our affiliates agree otherwise with the supplier) for any purpose we or our affiliates deem appropriate.

### Cooperatives

We currently have no purchasing or distribution cooperatives.

### Negotiated Prices

We may negotiate purchase arrangements with our designated or approved suppliers, including price terms, for the benefit of the Daddy's Chicken Shack System, including us and company- or affiliate-owned Restaurants and franchised Restaurants.

### Material Benefits

You do not receive any material benefits from us, other than prices that we may have negotiated, as a result of your use of our designated or approved suppliers.

## ITEM 9 FRANCHISEE'S OBLIGATIONS

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

<b>Obligation</b>	<b>Section in Franchise Agreement (FA)</b>	<b>Item(s) in Disclosure Document</b>
a. Location selection and acquisition/lease	FA – 1.1, 1.2 and <b>Exhibit B</b> – Site Selection Addendum	7 and 11
b. Pre-opening purchases/leases	FA – 5.1	7, 8 and 11
c. Location development and other pre-opening requirements	FA – 5.1 and 5.2	5, 6, 7, 8 and 11
d. Initial and ongoing training	FA – 5.4	7 and 11
e. Opening	FA – 5.3	7 and 11
f. Fees	FA – 3	5, 6 and 7
g. Compliance with standards, policies and manuals	FA – 5	8 and 11
h. Trademarks and proprietary information	FA – 8, 9 and 10	13 and 14
i. Restrictions on products and services offered	FA – 5.12	16
j. Warranty and customer service requirements	FA – 5.4 and 5.6	Not Applicable
k. Territorial development and sales quotas	FA – 1 and <b>Exhibit B</b> – Site Selection Addendum	12
l. Ongoing product and service purchases	FA – 4 and 5.12	8
m. Maintenance, appearance and remodeling requirements	FA – 5.7–5.11	11
n. Insurance	FA – 11	6, 8



Obligation	Section in Franchise Agreement (FA)	Item(s) in Disclosure Document
o. Advertising	FA – 6 and 8	11
p. Indemnification	FA – 16	Not Applicable
q. Owner’s participation, management and staffing	FA – 5.6 and 5.26	11 and 15
r. Records and reports	FA – 5.18 and 7	Not Applicable
s. Inspections and audits	FA – 5.17, 5.13 and 7.4	6
t. Transfer	FA – 12	6 and 17
u. Renewal	FA – 2	17
v. Post-termination obligations	FA – 14	17
w. Non-competition covenants	FA – 10 and <b>Exhibit F</b> – Non-Disclosure and Non-Competition Agreement	17
x. Dispute resolution	FA – 17	17

All individuals owning a direct or indirect interest in you must execute the Guarantee, Indemnification, and Acknowledgment, covering all of your obligations under the Franchise Agreement. We may also require that the spouse (or domestic partner or other immediate family member) of an owner sign the Guarantee, Indemnification and Acknowledgement. The current form of Guarantee, Indemnification, and Acknowledgement is attached to the Franchise Agreement as **Exhibit E**.

## ITEM 10 FINANCING

Neither we nor any of our affiliates offer, directly or indirectly, any financing arrangements to our franchisees. We do not guarantee your notes, leases, or other obligations.

## ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

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

### Pre-opening Obligations

Before you open your Daddy’s Chicken Shack Restaurant, we will:

1. Provide a copy of our standard construction/build-out package, as we may modify from time to time, including plans and specifications, site criteria, and sample site plans. We will also provide you a copy of our specifications for the furniture, fixtures, furnishings, equipment, signs, and other property that we may specify for use in the Restaurant. You must adapt those plans and specifications, at your expense, for use at the location of the Restaurant designated in **Exhibit A** to the Franchise Agreement. (Franchise Agreement, Section 4.1)
2. Provide pre-opening training to your Operating Principal, General Manager, and you employees whom we approve, at such times and places we designate for our training programs, together with any ongoing training we may, from time to time, deem appropriate. (Franchise Agreement, Section 4.2)

3. Provide you pre-opening and opening supervision and assistance as we deem advisable. (Franchise Agreement, Section 4.3)
4. Loan to you or otherwise provide you access to our Manuals, which we may revise from time to time. (Franchise Agreement, Section 4.4)

#### Post-opening Obligations

During the operation of your Daddy's Chicken Shack Restaurant, we will provide the following assistance:

1. Provide ongoing training as we deem appropriate during the term of the Franchise Agreement. (Franchise Agreement, Section 4.2)
2. Loan to you or otherwise provide you access to our Manuals, which we may revise from time to time. (Franchise Agreement, Section 4.4)
3. Provide you with merchandising, marketing and other related advice as we deem advisable and as we may develop from time to time. (Franchise Agreement, Section 4.5)
4. Provide periodic individual or group advice, consultation and assistance, rendered by personal visit, telephone, mail or e-mail from time to time as we deem advisable. (Franchise Agreement, Section 4.6)
5. Provide you with bulletins, intranet information, brochures and reports we may publish from time to time as we deem advisable. (Franchise Agreement, Section 4.7)

#### Location Selection and Opening

We grant each Daddy's Chicken Shack Restaurant franchise for a specific location. You will select the proposed location for your Restaurant. We generally do not own, or lease to you, the real estate for your location. We must approve the location for your Restaurant, and we may grant or withhold our consent of the location of the Restaurant at our sole option. If you have not obtained a location for the Restaurant at the time of execution of the Franchise Agreement, you must obtain a location for the Restaurant in accordance with the Site Selection Addendum, which will be executed at the time you execute your Franchise Agreement. The Site Selection Addendum will identify the geographic area in which you may search for a site (the "**Site Selection Area**").

You will submit to us a site selection package containing all information that we request relating to the location you propose, to obtain our approval for a proposed location. We may conduct on-site visits for any proposed site, but we are not obligated to do so. You will reimburse us for our reasonable expenses incurred in connection with all on-site visits, including travel, lodging, and meals. We will have 30 days after receipt of a complete site selection package and request for approval to approve or disapprove the proposed site. If we do not approve a proposed site by written notice within 30 days after receipt of all relevant information, the site will be deemed disapproved. The factors that we consider in approving your location include demographics of the market area for the location (including the population and income level of residents in the market area); size and other physical attributes of the location; tenant mix; proximity to residential neighborhoods; and proximity to schools, shopping centers, entertainment facilities and other businesses that attract consumers and generate traffic. Within 60 days after we approve your proposed site, you must execute a lease (which will be coterminous with the term of the Franchise Agreement) or purchase agreement regarding the site. If you will lease the premises for the Restaurant, we must review the terms of the lease before you sign it. You are solely responsible for negotiating a lease for the premises. Our

consent to any lease is conditioned upon inclusion of our Addendum to Lease into the lease. If your landlord refuses to agree to our Addendum to Lease, we may disapprove the lease, in which case you must find a new site for your Restaurant.

We expect 6 to 24 months to elapse between the signing of the Franchise Agreement, or the first payment of any consideration for the franchise, and the opening of your business. The factors affecting that length of time are expected to include time for obtaining financing arrangements, time for obtaining permits, construction time for the building and related improvements, local ordinance compliance, and delivery and installation of furniture, fixtures, equipment, and signs. If you have obtained an approved location for the Restaurant at the time of execution of the Franchise Agreement, you must open the Restaurant or business to the public within 180 days after the date you sign the Franchise Agreement. If you have not obtained a location for the Restaurant at the time you sign the Franchise Agreement, you must open the Restaurant 180 days from the later of our approval of the location for the Restaurant, or your access to the leased premises as permitted by your landlord under the lease. You may request an extension of these deadlines, which we may grant at our option, if you experience delays beyond your reasonable control in connection with obtaining necessary permits. Your failure to timely open will constitute an event of default under the Franchise Agreement, for which we may terminate your franchise.

### Advertising and Promotion

#### The Brand Development Fund

We or our designee may establish a Brand Development Fund. We have no obligation to conduct advertising (or spend any amount on advertising in the area or territory where you are located), except through the Brand Development Fund once established. Once established, we or our designee will administer and maintain the Brand Development Fund as follows:

1. You must pay us a monthly Brand Development Fund contribution fee equal to 1% of the preceding month's Gross Sales. We may increase this contribution amount by up to 1% of Gross Sales per year, but in no event will the contribution amount exceed 5% of Gross Sales during the term of the Franchise Agreement.
2. We or our designee may direct all advertising programs conducted by the Brand Development Fund, including the concept, materials, and media used in the programs and the placement and allocation of the programs. The Brand Development Fund is intended to maximize general public recognition, acceptance, and use of the System; and we and our designee are not obligated, in administering the Brand Development Fund, to make expenditures for you which are equivalent or proportionate to your contribution, to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Brand Development Fund.
3. The Brand Development Fund, and all contributions to and earnings from the Brand Development Fund, will be used only (except as otherwise provided below) to meet any and all costs of maintaining, administering, directing, conducting, creating, and/or otherwise preparing advertising, marketing, public relations and promotional programs and materials, and any other activities that we believe will enhance the image of the System. This includes, among other things, the costs of preparing and/or conducting media advertising campaigns, social media campaigns, direct mail advertising, marketing surveys and other public relations activities; brand research and development; developing and hosting marketing, brand development and enhancement, and customer engagement seminars for franchisees; purchasing promotional items; creating menu boards, developing new or modified trade dress and marks; point of purchase (POP) materials; design and photographs; conducting and administering visual merchandising, and other

merchandising programs; purchasing media space or time (including all associated fees and expenses); administering regional and multi-regional marketing and advertising programs; market research and customer satisfaction surveys; the creative development of, and actual production associated with, premium items, giveaways, promotions, contests, public relation events, and charitable or non-profit events; developing, implementing and maintaining an electronic commerce website and/or related strategies; maintaining and developing one or more websites devoted to the System, the Proprietary Marks and/or the “Daddy’s Chicken Shack” brand; providing promotional and other marketing materials and services to the Daddy’s Chicken Shack restaurants operated under the System; the salaries of Daddy’s Chicken Shack employees to the extent such employees provide services in conjunction with System marketing activities; and all administrative and internal costs and expenses incurred in connection with the above. Media coverage may be national, regional, or local, and may be prepared by us in-house or by an advertising agency.

4. Although we intend to use the monies to develop advertising and marketing materials and programs and to place advertising that will benefit the entire network of Daddy’s Chicken Shack Restaurants, we have no obligation to use the contributions made from your Restaurant or from the Restaurants in your area for advertising in the area in which your Restaurant operates. We cannot assure you that your Restaurant will benefit directly or in proportion to your contribution.
5. The Brand Development Fund will not be audited. After the Brand Development Fund has been established, we or our affiliate will prepare an unaudited annual statement of monies collected and costs incurred by the Brand Development Fund. We will furnish the statement to you upon your reasonable written request.

As of the date of this Disclosure Document, we have not yet established a Brand Development Fund.

Daddy’s Chicken Shack Restaurants owned by us or our affiliates will contribute to the Brand Development Fund at the same rate as franchisees.

We will not use any portion of the Brand Development Fund for marketing that is principally a solicitation for the sale of franchises.

#### Grand Opening Program and Initial Marketing

In addition to your payment of the Brand Development Fund Fee and any expenditures for local advertising and promotion, you must spend at least \$10,000 (the “**Grand Opening Program Amount**”) for the Restaurant’s Grand Opening Program. If we require that you pay the Grand Opening Program Amount to us, we will use the Grand Opening Program Amount to develop and implement the Grand Opening Program for your Daddy’s Chicken Shack Restaurant. The Grand Opening Program will start approximately 60 days prior to the soft opening of your Restaurant and will generally be completed within 60 days after your Restaurant commences operation. If we spend additional amounts on advertising as part of the Grand Opening Program, in amounts that you and we agree are part of the Grand Opening Program, you must reimburse us for the additional costs within 15 days after your receipt of notice from us. You may spend additional sums as you deem necessary or appropriate in connection with the opening of the Restaurant. We estimate that you will spend \$10,000 to \$15,000 in connection with your Restaurant’s grand opening.

#### Local Marketing Cooperative

We may establish a Local Marketing Cooperative for any geographic area in which a Daddy’s Chicken Shack Restaurant is located (“**Local Marketing Cooperative**”). If you are a member of a Local Marketing Cooperative, you will contribute up to 3% of the preceding month’s Gross Sales to the Local Marketing

Cooperative. Any amount you pay toward the Local Marketing Cooperative Fee will offset your obligation to spend the amount of Local Advertising up to 2% of Gross Sales. We may change, dissolve, or merge any Local Marketing Cooperative. The purpose of the Local Marketing Cooperative is to conduct marketing campaigns for the Daddy's Chicken Shack Restaurants located in that geographic area.

If a Local Marketing Cooperative for your area is established at the time you commence operations at your Daddy's Chicken Shack Restaurant, then you must immediately join that Local Marketing Cooperative. If a Local Marketing Cooperative for your area is established after the time you commence operations at your Daddy's Chicken Shack Restaurant, then you must join the new Local Marketing Cooperative within 30 days after the Local Marketing Cooperative commences operations. You will not be required to be a member of more than one Local Marketing Cooperative for your Daddy's Chicken Shack Restaurant. The following provisions will apply to each Local Marketing Cooperative (if and when organized):

1. Local Marketing Cooperatives will be organized and governed in the form and manner that we approve in advance. Unless we specify otherwise, the activities carried on by each Local Marketing Cooperative will be decided by a majority vote of its members. Each Daddy's Chicken Shack Restaurant owner will be entitled to cast one vote for each Daddy's Chicken Shack Restaurant owned.
2. Local Marketing Cooperatives will be organized for the exclusive purpose of administering regional marketing programs and developing (subject to our approval) standardized promotional materials for use by the members in local advertising.
3. Local Marketing Cooperatives may not use advertising, promotional plans, or materials without our prior written approval, as described below.
4. You must submit your required contribution to the Local Marketing Cooperative at the same time as payments are required for royalties and the Brand Development Fund Contribution, together with the statements and reports that may be required by us or by the Local Marketing Cooperative, with our written approval. If we request in writing, you must submit your payments and reports for the Local Marketing Cooperative directly to us and we will distribute the money and reports to the Local Marketing Cooperative.
5. Although, if established, a Local Marketing Cooperative is intended to be of perpetual duration, we may terminate any Local Marketing Cooperative. A Local Marketing Cooperative will not be terminated, however, until all monies in that Local Marketing Cooperative have been expended for marketing or promotional purposes or returned to its members.

Currently, we have not formed any Local Marketing Cooperatives. Daddy's Chicken Shack Restaurants owned by us or our affiliates will contribute to the Local Marketing Cooperative if established in their geographic areas at the same rate as franchisees.

### Local Advertising

You must spend at least \$2,000 or 2% of Gross Sales per month, whichever is greater, on Local Advertising. All of your local advertising and promotion must be conducted in the media, type, and format that we have approved, must be conducted in a dignified manner, and must conform to our standards and requirements. You must comply with all of our written instructions, policies, procedures, and restrictions regarding advertising and marketing within the Designated Area, outside of the Designated Area, and in areas that may be territories assigned to other Daddy's Chicken Shack Restaurants or franchisees (including, for example, rules regarding honoring of gift certificates and promotions). You may not use any marketing or

promotional plans (either in connection with local advertising and promotion, or any Local Marketing Cooperative) that we have not approved in writing, as set forth below.

The term Local Advertising consists only of direct costs of purchasing and producing advertising materials (such as camera-ready advertising and point-of-sale materials), media (space or time), and your direct out-of-pocket expenses related to costs of advertising and sales promotion in your Designated Area. Local advertising and promotion also includes associated advertising agency fees and expenses, postage, shipping, telephone, and photocopying costs. Local advertising and social engagement does not, however, include any of the following:

- (a) salaries and expenses of your employees, including salaries or expenses for attendance at advertising meetings or activities, or incentives provided or offered to your employees, including discount coupons;
- (b) charitable, political, or other contributions or donations, whether in cash or services unless otherwise approved;
- (c) the value of discounts given to consumers; or
- (d) the cost of food items.

#### Approval of Advertising Materials

For all proposed Local Advertising, you will submit samples of plans and materials to us for our review and prior written approval. If you do not receive written approval from us within 15 days after the date of our receipt of such samples or materials, we will be deemed to have disapproved the proposed Local Advertising.

We have no obligation to conduct advertising, or to spend any amount on advertising, in your area or territory.

#### Advertising Council

We may establish an advertising council in the future, but have not done so as of the date of this Disclosure Document. We may form, change, dissolve, or merge any advertising council.

#### Pricing

We may provide advice and guidance to you regarding establishing prices. In addition, we reserve the right to establish minimum and/or maximum prices you may charge for products and services, as permitted by law. If we establish maximum or minimum prices, you will charge prices no higher than the maximum prices we specify and no lower than the minimum prices we specify. Subject to your compliance with any minimum and/or maximum prices we specify, you may determine your local pricing strategy and are not obligated to follow your advice or recommendations. (Franchise Agreement, Section 5.24)

#### Computer Systems

You will purchase or lease, and thereafter maintain, certain brands, types, makes, and/or models of communications, computer systems, computer software, and hardware to be used by, between, or among Daddy's Chicken Shack Restaurants and us including: (a) back office and point-of-sale ("POS") systems, learning management system, data, audio, video, and voice storage, retrieval, and transmission systems;

(b) physical, electronic, and other security systems; (c) printers and other peripheral devices; (d) archival back-up systems; (e) e-mail systems; and (f) Internet access mode and speed (collectively, the “**Computer System**”). We and our affiliates are not currently a supplier of the Computer System, though in the future we may designate ourselves or our affiliate as an approved or sole supplier of the Computer System. You must comply with Daddy’s Chicken Shack’s requirements, specifications and policies concerning the use of technology, as they may be specified in this Agreement, or specified or modified in the Manuals or otherwise in writing. Such purchase may include the purchase of software licenses and the entry into such software license agreements as Daddy’s Chicken Shack may prescribe. Neither we nor our affiliates have any obligation to provide ongoing maintenance, repairs, upgrades, or updates. You should determine for yourself whether or not any third-party supplier from whom you purchase any component of your Computer System is obligated to provide ongoing maintenance, repairs, upgrades or updates to any component of your Computer System, and determine the cost for these services.

We expect that the total cost to purchase or lease the Computer System will range from \$46,500 to \$58,500. In addition, you must pay us a monthly Technology Fee if we require you to obtain or access any aspects of the Computer System or related technology systems, services, platforms, and software from or through us. The current Technology Fee is \$1,650 per month. We currently require you to obtain or access our required point-of-sale software and platform, intranet, online ordering system, streaming music software, learning management system, and a Daddy’s Chicken Shack email address from or through us. We may make changes to the types, nature, and ultimate vendor of any aspect of the Computer System or any technology systems, services, platforms, and software we require you to obtain or access from or through us. Your precise monthly Technology Fee may change if there are changes in any aspect of the Computer System or in the technology systems, services, platforms, and software we require you to obtain or access from or through us, or in our costs regarding such technology systems, services, platforms, and software.

You will be solely responsible for the cost of ongoing maintenance, updating, upgrading, and support contracts for the Computer System. Neither we, our affiliates, nor any third parties are responsible for such costs. We estimate your annual cost of maintenance, updating, upgrading, and support contracts related to the Computer System will be at least \$1,500 to \$2,500. The precise cost of maintenance, updating, upgrading, and support contracts related to the Computer System cannot be estimated at this time because it will depend on, among other factors, your repair history, local costs of computer maintenance and service in your area, and technological advances that we cannot predict.

We may independently remotely access your computer at any time to retrieve and use data and information generated and stored in your Computer System, consult with you on problems you may be experiencing, and download information to update your software.

#### Signs, Fixtures, Opening Inventory, and Supplies

Except as otherwise disclosed in this Disclosure Document, we and our affiliates are not approved or required suppliers for signs, fixtures, opening inventory, and supplies. We and our affiliates will not provide, deliver, or install any signs, fixtures, opening inventory, and supplies for your Restaurant. We will provide you with a list of approved suppliers. To the extent we have established standards and specifications for such items, we will provide our current standards and specifications for such items to franchisees and approved suppliers.

#### Remodeling and Upgrades

We may require you to remodel, replace and redecorate in and upon your premises and equipment as we may deem necessary, but no more than once the expiration of every 5-year period following the opening of the Restaurant for business with the public. The expenditure to remodel the Restaurant will be capped at

\$500,000. You must also make, from time to time, the upgrades and other changes to the Computer System and electronic equipment utilized in the Restaurant as we may request in writing (“**Equipment Upgrades**”). The cost for such Equipment Upgrades will be determined solely by the manufacturer or support provider. We may require any Equipment Upgrades we deem necessary for your Daddy’s Chicken Shack Restaurant. Other than as stated in this paragraph or described in the Franchise Agreement or Manuals, there are no other limitations on our ability to require you to upgrade your Daddy’s Chicken Shack Restaurant.

Daddy’s Chicken Shack Operations Manuals

We will provide you with a copy of our Manuals. The Manuals contain mandatory and suggested specifications, standards, operating procedures, programs, and rules we prescribe periodically, as well as information relative to your obligations under the Franchise Agreement and the operation of your Daddy’s Chicken Shack Restaurant. The table of contents for our Manual is attached to this Disclosure Document as **Exhibit G**. The Manual contains 117 pages.

Training

You (or your Operating Principal or General Manager) and at least one other employee that attends our initial training program must satisfactorily complete state and/or local mandated food handling training and be certified as having successfully completed the training prior to attending our initial training program. At least three individuals must attend and successfully complete Daddy’s Chicken Shack’s initial training program: your Operating Principal, your full-time General Manager, and one other of your employees as approved by Daddy’s Chicken Shack (collectively, the “**Principal Trainees**”). As consideration for initial training for your Principal Trainees, you will pay us a Training Fee of \$5,000 upon execution of the Franchise Agreement. The initial training program is held in Castle Rock, Colorado, or at another location we designate. We may require the Principal Trainees to attend refresher courses, seminars, and other training programs as we may reasonably specify from time to time, including up to 20 days of refresher programs each year during the term of the Agreement. In addition, some of your Principal Trainees as Daddy’s Chicken Shack may require, may be required to attend Daddy’s Chicken Shack’s annual or periodic conventions or conference, as applicable, for up to three days per year.

After your first Restaurant opens, we may assist you in training your employees and other personnel.

Except for the initial training fee, we do not charge a training fee payable for the above-described training. However, you must pay for all costs and expenses, like salaries, wages, supplies, rooms, meals and transportation for you, your managers, and each of your employees participating in the training program.

The following table summarizes the subjects taught during our initial training program:

**TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Pre-Training</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-job Training</b>	<b>Location</b>
Introduction/Orientation	2	6	4	Virtual / Denver, CO Training Facility
History / Philosophy of DCS	2	4	0	Virtual
Industry Breakdown	1	0	0	Virtual
Strategy/Goal Setting	2	2	2	Virtual
Franchise Compliance	8	4	2	Virtual



Subject	Hours of Pre-Training	Hours of Classroom Training	Hours of On-the-job Training	Location
Restaurant Operations	4	4	12	Virtual / Denver, CO Training Facility
Financial Management	2	2	4	Virtual / Denver, CO Training Facility
Technology	2	4	12	Virtual / Denver, CO Training Facility
Marketing	2	4	0	Virtual
Vendors/Suppliers	2	2	0	Virtual
Customer Service	2	100	100	Virtual / Denver, CO Training Facility
Grand Opening	2	2	0	Virtual
Reporting	2	3	2	Virtual / Denver, CO Training Facility
Emergency Procedures	1	0	1	Virtual / Denver, CO Training Facility
<b>TOTAL</b>	<b>34</b>	<b>137</b>	<b>139</b>	

Our training programs are overseen by Fred Malone, our Vice President of Franchise Operations & Training. Fred has 27 years of training, operations, and franchise support experience, and has been with Daddy’s Chicken Shack since August 2023. We may use additional or substitute instructors as needed, in our discretion. The training materials include our Manuals and other written materials that will be provided. Details of instruction and times for particular sessions may vary according to availability of staff, areas of concentration needed by trainees and other factors.

## ITEM 12 TERRITORY

The Franchise Agreement grants you the right to operate one Daddy’s Chicken Shack Restaurant at or from a single physical premises, selected by you and approved by us, within the Designated Area, with certain non-exclusive rights as described below. If an approved location has not been identified when you execute the Franchise Agreement, a Site Selection Addendum to the Franchise Agreement will identify the geographic area in which you may search for a site (the “**Site Selection Area**”). The exact size of the Site Selection Area will be agreed upon by you and us before the Franchise Agreement is executed. Once determined and/or approved by us, we will list the Restaurant’s approved location and Designated Area (described below) on **Exhibit A** of the Franchise Agreement.

You are required to operate the Restaurant only at the location we approve. You may not operate the Restaurant or offer or sell any products or services at or from any location other than the approved location identified in **Exhibit A** of the Franchise Agreement. We may offer and sell goods and services through other channels of distribution, including the Internet, within the Designated Area, under the Proprietary Marks, or under different trademarks without compensation to you. You are not permitted to provide goods or services through other channels of distribution, such as the Internet or in any form of social media, or make sales outside of your physical premises located within the Designated Area, except as otherwise described in the Franchise Agreement. No restrictions exist that prevent us from soliciting or accepting orders from consumers inside your Designated Area in the same manner, and we will owe you no compensation if we do so. You may not relocate the Restaurant without our prior written consent. You must comply with our then-current site selection and construction standards.

Except as described below, we will grant you an area around the approved location of the Restaurant (the “**Designated Area**”). The Designated Area is the area described in **Exhibit A** to the Franchise Agreement, excluding Alternative Points of Distribution (defined below). The Designated Area will typically encompass a population of not less than 50,000 people, but the ultimate size of your Designated Area may vary from that of other franchisees based on various factors. We will determine the Designated Area based on several factors, including, among other factors, the population base; density of population; growth trends of population; apparent degree of affluence of population; the density of residential and business entities; traffic generators, driving times; and major topographical features which clearly define contiguous areas, like rivers, mountains, major freeways, and underdeveloped land areas.

We have not established conditions under which we will approve the relocation of your Daddy’s Chicken Shack Restaurant, or conditions under which we will approve your establishment of additional Restaurants. The Franchise Agreement does not grant you options, rights of first refusal, or similar rights to acquire additional Restaurants.

We may offer and sell goods and services through other channels of distribution, including the Internet, within the Designated Area, under the Proprietary Marks, or under different trademarks without compensation to you. You are not permitted to provide goods or services through other channels of distribution, such as the Internet or in any form of social media, or make sales outside of your physical premises located within the Designated Area, except as otherwise described in the Franchise Agreement.

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.

As long as you are in compliance with the Franchise Agreement, we will not operate or license others to operate a Daddy’s Chicken Shack Restaurant at a physical premises located within the Designated Area (subject to the reservations and limitations described below) during the term of your Franchise Agreement. Except as expressly limited by the previous sentence, we and our affiliates retain all rights with respect to Daddy’s Chicken Shack Restaurants, other branded, co-branded, or multi-branded restaurants, the Proprietary Marks, the sale of similar or dissimilar products and services, and any other activities we deem appropriate whenever and wherever we desire. Specifically, we and our affiliates retain the following rights:

1. Advertise and promote the System within and outside of the Designated Area.
2. Develop, construct, operate, sell, license, franchise, and/or authorize others to sell Daddy’s Chicken Shack menu items, foods, and other products to the public within the Designated Area, including the immediate area surrounding any Daddy’s Chicken Shack Restaurant location you submit to us for approval or any Daddy’s Chicken Shack Restaurant you establish, through restaurant outlets (whether mobile or fixed, permanent or temporary) located on military bases, institutional outlets (including, for example, college campuses, hospitals, and school lunch programs), fairs, athletic contests, or other special events, convenience stores, casinos, airports, and larger retail outlets, including (without limitation) Wal-Mart and Home Depot, toll roads, limited access highways, schools, universities, enclosed shopping malls, hotels, industrial or government facilities, amusement or theme park complexes, train stations, bus stations, or transportation facilities, and other locations owned or operated by major institutions with sites throughout the country or a particular state (collectively referred to as “**Alternative Points of Distribution**”) and to use the Daddy’s Chicken Shack System in connection with those Alternative Points of Distribution.
3. Operate, and license others to operate, Daddy’s Chicken Shack Restaurants at any location outside the Designated Area, including at locations that are adjacent to the Designated Area and despite the

proximity of such Restaurants to the Designated Area or your Restaurant or their actual or threatened impact on sales at your Restaurant.

4. Offer and sell, and license others to offer and sell, any products or services (including those offered by your Daddy's Chicken Shack Restaurant), under any marks (including the Proprietary Marks) outside of the Designated Area, and through any means (including through a Daddy's Chicken Shack Restaurant).
5. Establish, operate, and license others to establish and operate, businesses other than Daddy's Chicken Shack Restaurants, including other food-related businesses, which businesses may be identified by other trademarks, and which may offer or sell products and services that are the same as or similar to the products and services offered by Daddy's Chicken Shack Restaurants, within and outside of the Designated Area and despite the proximity of such businesses to the Designated Area or your Restaurant or their actual or threatened impact on sales at your Restaurant.
6. Develop or become associated with other concepts (including other franchise systems), whether or not using the System and/or the Proprietary Marks, and/or offer or sell franchises under such concepts for locations within and outside of the Designated Area.
7. Acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not) with outlets located anywhere and, even if such businesses are located in the Designated Area; (i) convert the other businesses to Daddy's Chicken Shack Restaurants, (ii) permit the other businesses to continue to operate under another name, and/or (iii) permit the businesses to operate under another name and convert existing Daddy's Chicken Shack Restaurants to such other name.
8. Offer and sell, and authorize others to offer and sell, products from Restaurants located outside the Designated Area to customers located within the Designated Area via take-out, catering, or delivery, including through an online ordering site or platform authorized by Franchisor.
9. Engage in any other activity, action or undertaking that Daddy's Chicken Shack or its affiliates are not expressly prohibited from taking under the Franchise Agreement.

Neither we nor any affiliate currently operates, franchises, or plans to operate or franchise any business under a different trademark that sells or will sell goods or services similar to those of Daddy's Chicken Shack Restaurants, but we and our affiliates have the right to do so under the Franchise Agreement.

The continuation of your rights within the Designated Area under the Franchise Agreement does not depend on the achievement of a certain sales volume, market penetration, or any other contingency. The restrictions on our right to operate in your Designated Area do not apply to any Daddy's Chicken Shack Restaurant existing or under development on the date the Franchise Agreement is signed. We are not required to pay you if we or our affiliates exercise any of the rights specified above inside or outside your Designated Area.

### **ITEM 13 TRADEMARKS**

We grant you the right to operate a Daddy's Chicken Shack Restaurant under the name "Daddy's Chicken Shack" and to use the Proprietary Marks that we designate for the operation of your Daddy's Chicken Shack Restaurant.

Daddy's Chicken Shack IP owns the following Proprietary Marks on the Principal Register of the United

States Patent and Trademark Office (“USPTO”). Daddy’s Chicken Shack IP has renewed or intends to renew the registrations for the Proprietary Marks. All required affidavits have been filed.

Mark	Registration Number	Registration Date
DADDY’S CHICKEN SHACK	6800465	July 26, 2022

There is no presently effective determination of the USPTO, the trademark administrator of any state, or any court, and no pending interference, opposition or cancellation proceeding or any pending material litigation involving the Proprietary Marks.

Daddy’s Chicken Shack IP has licensed to us the right to use the Proprietary Marks, and to sublicense the use of the Proprietary Marks, in connection with the development and operation of Daddy’s Chicken Shack Restaurants, and the advertising marketing, and promotion of the services and products that Daddy’s Chicken Shack Restaurants offer, under a trademark license agreement (the “**Trademark License Agreement**”) effective as of April 5, 2022. The term of the Trademark License Agreement is 99 years. The parties may terminate the Trademark License Agreement by mutual written agreement. Either party may terminate the Trademark License Agreement by written notice to the other if a material breach of the Trademark License Agreement occurs and is not cured within 30 days after the non-breaching party gives the breaching party notice of the breach. If the Trademark License Agreement is terminated, any then-existing franchise agreements will continue for the duration of their terms, provided that the franchisees comply with all other terms of their franchise agreements. The Trademark License Agreement contains no other material limitations. There are no other agreements currently in effect which significantly limit our rights to use or license the use of such trademarks, service marks, trade names, logotypes, or other commercial symbols in any manner material to the franchise.

You must promptly notify us of any unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Proprietary Marks. As between you and us, we have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement. As between you and us, we also have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. We have no obligation to protect or defend your right to use the Proprietary Marks or protect you against claims of infringement or unfair competition arising out of your use of the Proprietary Marks, although we intend to do so when in the best interest of the System. If we undertake the defense or prosecution of any litigation concerning the Proprietary Marks, you must sign any documents and do the things as may, in our counsel’s opinion, be necessary to carry out that defense or prosecution, such as becoming a nominal party to any legal action. Unless the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs in doing these things (although you will still be responsible for the salary costs of your employees) and we will bear the costs of any judgment or settlement. However, if the litigation results from your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, then you must reimburse us for the cost of the litigation, including attorneys’ fees, as well as the cost of any judgment or settlement. We do not have to indemnify you against, or reimburse you for, any damages in any proceeding arising out of the use of any name or Proprietary Mark or for any costs incurred by you in the defense of any of those claims.

We may substitute different marks for use in identifying the System and the businesses operating under it. You must bear the costs of modifying your signs and advertising materials to conform to our new Proprietary Marks as a result of this substitution.

We are not aware of superior prior rights to, or infringing uses of, the Proprietary Marks that could materially affect your use of the Proprietary Marks.

#### **ITEM 14**

#### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

We do not own any patents and do not have any pending patent applications that are material to a Daddy's Chicken Shack Restaurant franchise.

We do not own any copyrights and do not have any pending copyright applications that are material to the franchise. However, we or our affiliate, Daddy's Chicken Shack Holdings, claims copyright protection in our Manuals and related materials, although neither we nor Daddy's Chicken Shack Holdings have registered those copyrights with the United States Copyright Office. Our rights to use and sublicense the Manuals and other intellectual property regarding the System are derived from a Trademark and System License Agreement between us and Daddy's Chicken Shack Holdings ("**System License Agreement**"). The term of the System License Agreement is 99 years. The parties may terminate the System License Agreement by mutual written agreement. Either party may terminate the System License Agreement by written notice to the other if a material breach of the System License Agreement occurs and is not cured within 30 days after the non-breaching party gives the breaching party notice of the breach. If the System License Agreement is terminated, any then-existing franchise agreements would be assigned from us to Daddy's Chicken Shack Holdings, which would assume our rights and obligations as franchisor under such agreements. We consider the Manuals and related materials confidential, proprietary and our affiliate's property. You may use them only in the operation of your Daddy's Chicken Shack Restaurant as provided in the Franchise Agreement. You may not use our and our affiliate's confidential and proprietary information in any unauthorized manner and must take reasonable steps to prevent its disclosure to others. Your right to use those materials continues as long as the Franchise Agreement remains in effect.

Neither the United States Copyright Office nor any court has made any currently effective determinations regarding any of our copyrighted materials. We have no agreements in effect that significantly limit our right to use or license the use of our copyrighted materials. We have no obligation to protect or defend our copyrights or confidential information, although we intend to do so when in the best interest of the System. Finally, we know of no infringing uses that could materially affect your use of our copyrighted materials in any state.

During the term of the Franchise Agreement, you will receive information that we consider to be our trade secrets and confidential information, including confidential information, trade secrets, knowledge, or know how concerning the System or the methods of operation of your Daddy's Chicken Shack Restaurant, which may be communicated to you or which you may be apprised of by virtue of your operation under the terms of the Franchise Agreement ("**Confidential Information**"). You may only divulge Confidential Information to your owners, directors, members, officers, managers, or employees as must have access to it in order to operate your Daddy's Chicken Shack Restaurant. Your employees who may have access to our Confidential Information must sign a confidentiality agreement. Our current form of confidentiality agreement is attached to the Franchise Agreement as **Exhibit F**. You will be liable for any unauthorized disclosure of our Confidential Information by your principals, employees, and agents. Upon expiration, non-renewal, or termination of a Franchise Agreement, you must immediately stop using the Confidential Information in any business or otherwise and must return all proprietary or confidential materials to us.

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

We do not require you to participate personally in the direct operation of your Daddy's Chicken Shack Restaurant, but we do recommend it. In any case, your designated Operating Principal must be approved by us and must supervise and participate personally in the day-to-day operations of your Daddy's Chicken Shack Restaurant. Your designated Operating Principal and you must attend and satisfactorily complete the initial training program conducted by us as described in Item 11. To ensure a consistent brand experience, we require that the person responsible for the direct operation of the franchise (1) have at least five years of management experience in the operation of a quick service restaurant (or, if you or your affiliate operates at least one Daddy's Chicken Shack Restaurant as of the effective date of the Franchise Agreement, the Operating Principal of your Daddy's Chicken Shack Restaurant must have at least two years of management experience in the operation of a quick service restaurant), (2) have an equity interest of at least 5% in the business, if you are a legal entity, and (3) live no more than a two-hour drive from your Restaurant. You will control and be solely responsible for the day-to-day operation of your Restaurant and the terms and conditions and employment of your personnel, including the soliciting, hiring, firing, disciplining, paying, scheduling, and managing of your employees.

We may require that you, any and all of your owners holding a 5% or greater interest in you, the Operating Principal, the General Manager, and any spouse (or domestic partner or other immediate family member) of an owner and each person who is actively involved in the operation of the franchise, execute an agreement in the form provided by us, under which each agree not to divulge any of our trade secrets or confidential or proprietary information, including the contents of any of our manuals.

All individuals owning a direct or indirect interest in you must execute the Guarantee, Indemnification, and Acknowledgment, covering all of your obligations under the Franchise Agreement. We may also require that the spouse (or domestic partner or other immediate family member) of an owner sign the Guarantee, Indemnification, and Acknowledgment. The current form of Guarantee, Indemnification, and Acknowledgment is attached to the Franchise Agreement as Exhibit E.

**ITEM 16**  
**RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

All products you use or sell at the Daddy's Chicken Shack Restaurant must conform to our standards and specifications. These are described in our Manuals and other writings. You must not deviate from our standards and specifications unless we first give you our written consent. You must also comply with all applicable laws and regulations and secure all appropriate governmental approvals for the Restaurant.

You must offer and sell only the menu items, products, and services that we have expressly approved in writing. You may not offer for sale any products or perform any services that we have not authorized previously in writing, and you must stop selling any menu items, products, or services that we disapprove in writing. We may change the types of authorized products and services, without limitation. There is no limit on our right to add or remove items from our standard menu, and you must promptly comply with any changes that we make to the menu. You must prepare all menu items using the procedures for preparation contained in our Manuals or other written instructions. You must not use or offer nonconforming items unless we first give you our written consent.

We do not restrict whom you may serve. You must open and operate the Restaurant during the hours we specify in the Manuals or otherwise in writing.

You must participate in all market research programs that we require, which includes test-marketing new products, purchasing a reasonable quantity of new products for test-marketing, and promoting the sale of the new products. You must provide us with timely reports and test results for all such programs.

You may not install and offer vending machines, ATM machines, or other activities (such as cigarette machines, pool, darts, gambling activities, video games, slot machines, and other gaming devices) unless we have given our prior written consent to you to do so. We reserve the right to require you to use specified game consoles, vending machines, jukeboxes, or other entertainment devices or services that we designate.

We reserve the right to require you to only play such music and video programming at your Restaurant that we have designated in the Manuals or approved in writing. We reserve the right to require you to subscribe to specific music and television offerings at your Restaurant that we designate, including designated playlists, streaming services, specific television packages, premium channels, and/or other customized content distribution.

We reserve the right to establish minimum and/or maximum prices you may charge for food and beverage products, as permitted by law. If we establish maximum or minimum prices, you will charge prices no higher than the maximum prices we specify and no lower than the minimum prices we specify.

We may change, supplement, improve, or modify the System at any time, as we deem appropriate. These changes may include, among others, the adoption and use of new or modified products, services, equipment and furnishings and new techniques and methodologies relating to the preparation, sale, promotion and marketing of food and beverage products and services, and new trademarks, service marks, and copyrighted materials. You must, upon reasonable notice, accept, adopt, implement, use, and display any change to the System we may make, at your expense. There are no limits on our right to make changes.

**ITEM 17  
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

The following table lists certain important provisions of the Franchise Agreement pertaining to renewals, terminations, transfers and dispute resolutions. You should read those provisions in the Franchise Agreement attached as Exhibit C to this Disclosure Document.

**THE FRANCHISE RELATIONSHIP**

Provision	Section in Franchise Agreement	Summary
a. Term of the franchise	2.1	The initial term expires 10 years after the effective date of the Franchise Agreement.
b. Renewal or extension of the term	2.2	One additional term, which will be the lesser of (a) 10 years or (b) the remaining term of the lease for the Restaurant premises.

Provision	Section in Franchise Agreement	Summary
c. Requirements for you to renew or extend	2.2.1–2.2.9	Renewal means the right to sign a successor franchise agreement to remain a franchisee. Requirements for renewal include: No default may exist under the existing agreement; you must provide notice of renewal at least 12 months in advance; you must sign our then-current franchise agreement, which may contain materially different terms and conditions; you must sign a general release ( <i>see Exhibit F</i> ); you must satisfy all monetary obligations to us; you must pay a renewal fee; and you must present evidence that you have the right to remain in possession of the premises of the Restaurant for the duration of the renewal term (or obtain our approval of new premises for the duration of the renewal term). We also may require that you remodel your Restaurant and complete additional training.
d. Termination by you	Not Applicable	Not Applicable, provided franchisee may terminate under any grounds permitted by law.
e. Termination by us without cause	Not Applicable	Not Applicable.
f. Termination by us with cause	13	We may terminate upon default.
g. “Cause” defined – defaults which can be cured	13.3	You have 30 days to cure operational defaults and 5 days to cure monetary defaults.
h. “Cause” defined – defaults which cannot be cured	13.1–13.2	The term “cause,” among other defaults, includes danger to health or safety; bankruptcy; assignment for the benefit of creditors; felony conviction; repeated violations; execution of levy not discharged within five days; attachment of property; failure to obtain approval of the site for your Restaurant; failure to repair or renovate your Restaurant premises; failure to complete initial training; abandonment of your Restaurant; fraud; unauthorized transfer; failure to comply with non-compete and confidentiality obligations; default under lease or sublease for your Restaurant; and unsatisfied final judgments of \$10,000 or more for 30 days or longer, and default under any other agreement between you and us or our affiliates.



Provision	Section in Franchise Agreement	Summary
i. Your obligations on termination and non-renewal	14	Among other obligations, you must cease to operate your Restaurant, pay amounts due, cease the use of our System and Proprietary Marks, return our manuals, de-identify the Restaurant, and comply with the post-term covenant not to compete.
j. Assignment of contract by us	12.1	The Franchise Agreement has no restriction on our right to assign.
k. “Transfer” by you – definition	12.3	The term “transfer” includes the transfer of the Franchise Agreement, the Restaurant’s assets, the leases or interest in the Restaurant, or any interest in you.
l. Our approval of transfer by you	12.4	We have the right to approve all transfers; we will not withhold our consent unreasonably.
m. Conditions for our approval of transfer	12.4	Among other conditions, no default may exist and you pay all amounts due, sign a general release and pay a transfer fee. The transferee must complete our training and meet all of our qualifications and other requirements and sign our then-current form of franchise agreement.
n. Our right of first refusal to acquire your business	12.6	We have an option for 30 days to purchase upon same terms and conditions offered to the third party.
o. Our option to purchase your business	14.1.7 and 14.1.8	We have an option to acquire the leases to, or the right to acquire, the premises upon the termination or expiration of your Franchise Agreement. We have an option to purchase any or all of your business’s equipment or inventory related to the operation of the Restaurant upon the termination or expiration of your Franchise Agreement.
p. Your death or disability	12.7 and 12.8	Within six months of your death or disability, your interest in the Franchise Agreement, or in you, must be transferred to a third party whom we approve.
q. Non-competition covenants during the term of the franchise	10.5	You cannot divert business to a competitor. You cannot operate any “ <b>Competitive Business</b> ,” which means any quick service, fast food, or fast casual dining restaurant or food service establishment for which twenty-five percent (25%) or more of its menu entrees feature fried chicken (including, without limitation, fried chicken sandwich, wrap, or burrito menu items) or for which such menu items account for twenty-five percent (25%) or more of its gross sales (subject to state law).

Provision	Section in Franchise Agreement	Summary
r. Non-competition covenants after the franchise terminates or expires	10.6	For a period of two years, you cannot operate a Competitive Business within two miles of your original location or any other existing Daddy's Chicken Shack Restaurant (subject to state law).
s. Modification of the agreement	23	No changes to agreement can take place unless mutually agreed to in writing, except we can unilaterally modify the Manual and System.
t. Integration / merger clause	23	Only the written terms of the agreement and exhibits bind the parties (subject to applicable state law). However, nothing in the Franchise Agreement will exclude any representations we make in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	17	The parties must arbitrate any controversy or claim, except that either party may file for temporary or preliminary injunctive relief, a restraining order, or order of specific performance, including, without limitation, injunctive relief pertaining to the use of the Daddy's Chicken Shack System, Proprietary Marks and Confidential Information.
v. Choice of forum	17.2 and 17.3	All litigation must take place in federal or state court encompassing Castle Rock, Colorado, and all arbitration must take place in the Denver, Colorado metropolitan area, subject to applicable state law. <i>See Exhibit D.</i>
w. Choice of law	17.1	Colorado law applies, subject to applicable state law. <i>See Exhibit D.</i>

## ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote Daddy's Chicken Shack franchises.

## ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an

existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Andrew Beach, 480 East Happy Canyon Road, Castle Rock, Colorado 80108, andrew.beach@daddysfranchising.com and 844-4DADDYS, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NO. 1  
SYSTEM-WIDE OUTLET SUMMARY  
FOR FISCAL YEARS 2021 TO 2023**

Outlet Type	Year	Outlets at Start of Year	Outlets at End of Year	Net Change
Franchised	2021	0	0	0
	2022	0	0	0
	2023	0	2	+1
Company-Owned	2021	1	1	0
	2022	1	1	0
	2023	1	1	0
Total Outlets	2021	1	1	0
	2022	1	1	0
	2023	1	3	+2

**TABLE NO. 2  
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS  
(OTHER THAN FRANCHISOR)  
FOR FISCAL YEARS 2021 TO 2023**

State	Year	Number of Transfers
All States	2021	0
	2022	0
	2023	0
Totals	2021	0
	2022	0
	2023	0

**TABLE NO. 3  
FRANCHISED OUTLETS STATUS SUMMARY  
FOR FISCAL YEARS 2021 TO 2023**

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
Arizona	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0

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
	2023	0	1	0	0	0	0	1
Colorado	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Totals	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2

**TABLE NO. 4  
COMPANY-OWNED OUTLETS STATUS SUMMARY  
FOR FISCAL YEARS 2021 TO 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets At End of Year
California	2021	1	0	0	0	0	1
	2022	1	0	0	1	0	0
	2023	0	0	0	0	0	0
Texas	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1
	2023	1	0	0	0	0	1
Totals	2021	1	0	0	0	0	1
	2022	1	1	0	1	0	1
	2023	1	0	0	0	0	1

\*Note: Company-owned restaurants are operated by our affiliate, Daddy's Chicken Shack Operations.

**TABLE NO. 5  
PROJECTED OPENINGS  
AS OF DECEMBER 31, 2023**

State	Franchise Agreement Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	3	1	0
Colorado	2	1	0
Florida	2	1	0
Georgia	1	0	0
Michigan	1	0	0
Oregon	1	0	0
Texas	3	2	0
Totals	13	5	0

Our fiscal year ends on December 31<sup>st</sup>.

### Lists of Current and Former Franchisees

**Exhibit E** to this Disclosure Document reflects the name of each of our franchisees and the address and telephone numbers of their businesses as of December 31, 2023. **Exhibit E** also reflects the name, city, state, and current business telephone number of every franchisee who ceased to do business under the Franchise Agreement or had an outlet terminated, canceled, not renewed, or transferred within the last fiscal year ended December 31, 2023, or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document.

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

### Purchase of Previously-Owned Franchise

If you are purchasing a previously-owned franchised outlet, we will provide you additional information on the previously-owned franchised outlet in an addendum to this Disclosure Document.

### Confidentiality Clauses

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

### Trademark-Specific Franchisee Organizations

We know of no active franchisee organization associated with the System.

## **ITEM 21 FINANCIAL STATEMENTS**

Attached as **Exhibit B** to this Disclosure Document is our audited financial statements as of December 31, 2023 and 2022, and for the years ending December 31, 2023, 2022, and 2021. In addition, we have included unaudited financial statements for the period beginning January 1, 2024 through March 31, 2024. Our fiscal year ends December 31<sup>st</sup>.

## **ITEM 22 CONTRACTS**

The following agreements are attached as exhibits to this Disclosure Document:

Exhibit C	Franchise Agreement
Exhibit D	State Specific Addenda
Exhibit F	Form of General Release

## **ITEM 23 RECEIPTS**

The last two pages of this Disclosure Document are detachable duplicate Receipts. Please sign and date both copies of the Receipt. Keep one signed copy of the Receipt for your file and return the other signed copy of the Receipt to us. The Receipt contains the names of our franchise sellers.

**EXHIBIT A**  
**TO THE FRANCHISE DISCLOSURE DOCUMENT**

**STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS**

<b>STATE</b>	<b>STATE ADMINISTRATOR/AGENT</b>	<b>ADDRESS</b>
California	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation	320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275-2677 www.dfpi.ca.gov Ask.DFPI@ca.gov
Hawaii (State Administrator)	Commissioner of Securities Dept. of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch	335 Merchant Street Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E018 Indianapolis, IN 46204
Maryland (State Administrator)	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Attorney General Consumer Protection Division	G. Mennen Williams Building, 1 <sup>st</sup> Floor 525 West Ottawa Street Lansing, MI 48933
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198
New York (State Administrator)	NYS Department of Law Investor Protection Bureau	28 Liberty Street, 21st Floor New York, NY 10005 212-416-8222
New York (Agent)	New York Secretary of State	One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001
North Dakota	Securities Commissioner North Dakota Securities Department	600 East Boulevard Avenue State Capitol, Fourteenth Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue John O. Pastore Complex – Building 69-1 Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Insurance - Securities Regulation	124 S. Euclid, Suite 104 Pierre, SD 57501-3185
Virginia (State Administrator)	State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9 <sup>th</sup> Floor Richmond, VA 23219 804-371-9051
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630
Washington	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501 360-902-8760

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 201 W. Washington Ave., Suite 300 Madison, WI 53703

**EXHIBIT B**  
**TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**FINANCIAL STATEMENTS**



**DADDY'S CHICKEN SHACK FRANCHISING LLC**  
**(A Limited Liability Company)**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022 AND**  
**PERIOD FROM FEBRUARY 22, 2021 (INCEPTION)**  
**THROUGH DECEMBER 31, 2021**

**DADDY'S CHICKEN SHACK FRANCHISING LLC**  
**(A Limited Liability Company)**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 AND FOR**  
**THE PERIOD FROM FEBRUARY 22, 2021 (INCEPTION)**  
**THROUGH DECEMBER 31, 2021**

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## INDEPENDENT AUDITOR'S REPORT

To the Member  
Daddy's Chicken Shack Franchising, LLC

### Opinion

We have audited the accompanying financial statements of Daddy's Chicken Shack Franchising, LLC (a limited liability company), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations and changes in member's equity (deficit), and cash flows for the years ended December 31, 2023 and 2022, and for the period from February 22, 2021 (inception) through December 31, 2021, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Daddy's Chicken Shack Franchising, LLC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years ended December 31, 2023 and 2022, and for the period from February 22, 2021 (inception) through December 31, 2021, in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

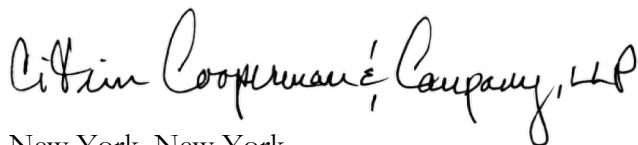
## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



New York, New York

May 20, 2024

**DADDY'S CHICKEN SHACK FRANCHISING LLC**  
**(A Limited Liability Company)**  
**BALANCE SHEETS**  
**DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash	\$ 45,882	\$ 156,728
Accounts receivable	3,681	22,500
Prepaid commissions	17,575	10,542
Prepaid expenses and other current assets	<u>27,887</u>	<u>20,586</u>
Total current assets	<u>95,025</u>	<u>210,356</u>
Property and equipment, net	<u>200,913</u>	<u>241,186</u>
Operating lease right-of-use asset	<u>91,079</u>	<u>184,302</u>
Other assets:		
Security deposit	5,484	1,342
Prepaid commissions, net of current portion	<u>442,185</u>	<u>264,541</u>
Total other assets	<u>447,669</u>	<u>265,883</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 834,686</u></b>	<b><u>\$ 901,727</u></b>
<b><u>LIABILITIES AND MEMBER'S EQUITY (DEFICIT)</u></b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 114,360	\$ 33,709
Deferred revenue	169,285	129,970
Due to related party	1,450	1,521
Operating lease liability	<u>48,389</u>	<u>47,099</u>
Total current liabilities	<u>333,484</u>	<u>212,299</u>
Long-term liabilities:		
Deferred revenues, net of current	1,144,747	761,377
Operating lease liability, net of current	<u>128,275</u>	<u>176,664</u>
Total long-term liabilities	<u>1,273,022</u>	<u>938,041</u>
Total liabilities	1,606,506	1,150,340
Commitments and contingencies (Notes 9, 10 and 11)		
Member's deficit	<u>(771,820)</u>	<u>(248,613)</u>
<b>TOTAL LIABILITIES AND MEMBER'S DEFICIT</b>	<b><u>\$ 834,686</u></b>	<b><u>\$ 901,727</u></b>

See accompanying notes to financial statements.

**DADDY'S CHICKEN SHACK FRANCHISING LLC**  
**(A Limited Liability Company)**  
**STATEMENTS OF OPERATIONS AND CHANGES IN MEMBER'S EQUITY (DEFICIT)**  
**FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND FOR THE**  
**PERIOD FROM FEBRUARY 22, 2021 (INCEPTION)**  
**THROUGH DECEMBER 31, 2021**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues:			
Franchise fees	\$ 47,315	\$ 6,153	\$ -
Royalties	35,124	-	-
Technology fees	<u>10,150</u>	<u>-</u>	<u>-</u>
Total revenues	92,589	6,153	-
Selling, general and administrative expenses	<u>1,480,796</u>	<u>1,129,031</u>	<u>390,735</u>
Net loss	(1,388,207)	(1,122,878)	(390,735)
Member's equity (deficit) - beginning	(248,613)	249,265	-
Member contributions	<u>865,000</u>	<u>625,000</u>	<u>640,000</u>
<b>MEMBER'S EQUITY (DEFICIT) - ENDING</b>	<b><u><u>\$ (771,820)</u></u></b>	<b><u><u>\$ (248,613)</u></u></b>	<b><u><u>\$ 249,265</u></u></b>

See accompanying notes to financial statements.

**DADDY'S CHICKEN SHACK FRANCHISING LLC**  
**(A Limited Liability Company)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND FOR THE**  
**PERIOD FROM FEBRUARY 22, 2021 (INCEPTION)**  
**THROUGH DECEMBER 31, 2021**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:			
Net loss	\$ (1,388,207)	\$ (1,122,878)	\$ (390,735)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	53,453	8,579	-
Non-cash lease expense	95,828	17,581	-
Bad debt expense	22,500	-	-
Changes in operating assets and liabilities:			
Accounts receivable	(3,681)	(22,500)	-
Prepaid commissions	(184,677)	(275,083)	-
Prepaid expenses and other current assets	(7,301)	6,065	(26,651)
Security deposit	(4,142)	4,142	(5,484)
Accounts payable and accrued expenses	80,651	24,552	9,157
Deferred revenue	422,685	891,347	-
Due to related party	(71)	1,521	-
Deferred rent	-	-	21,880
Operating lease liability	<u>(49,704)</u>	<u>-</u>	<u>-</u>
Net cash used in operating activities	(962,666)	(466,674)	(391,833)
Cash used in investing activities:			
Purchases of property and equipment	<u>(13,180)</u>	<u>(102,059)</u>	<u>(147,706)</u>
Cash provided by financing activities:			
Contributions from member	<u>865,000</u>	<u>625,000</u>	<u>640,000</u>
Net increase (decrease) in cash	(110,846)	56,267	100,461
Cash - beginning	<u>156,728</u>	<u>100,461</u>	<u>-</u>
<b>CASH - ENDING</b>	<b><u>\$ 45,882</u></b>	<b><u>\$ 156,728</u></b>	<b><u>\$ 100,461</u></b>
Supplemental schedules for non-cash investing activities:			
Right-of-use assets recognized in connection with implementation of ASC 842 on January 1, 2022	<u>\$ -</u>	<u>\$ 223,583</u>	<u>\$ -</u>
Operating lease liability recognized in connection with implementation of ASC 842 on January 1, 2022	<u>\$ -</u>	<u>\$ 245,463</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**DADDY'S CHICKEN SHACK FRANCHISING LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS**

Daddy's Chicken Shack Franchising, LLC (the "Company"), a wholly-owned subsidiary of Daddy's Chicken Shack Holdings, LLC (the "Member"), was formed on February 22, 2021, as a Delaware limited liability company to sell franchises pursuant to a non-exclusive license agreement dated August 30, 2021, between the Company and the Member. On January 12, 2022, the Member and its wholly-owned subsidiary, Daddy's Chicken Shack IP, LLC (the "Licensor"), entered into a trademark assignment agreement whereby the Member assigned to the Licensor the right, title and interest in and to the trademark, as further defined. On April 5, 2022, the Company entered into a non-exclusive license agreement with the Licensor (see Note 11). Pursuant to the Company's standard franchise agreement, franchisees will operate a business under the "Daddy's Chicken Shack" name and system that will offer chicken restaurants.

The Member is not liable for the debts, obligations or other liabilities of the Company, whether arising in contract, tort or otherwise, solely by reason of being a member.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting

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

Use of estimates

The preparation of the Company's financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Revenue and cost recognition

The Company recognizes revenue under Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*. The Company derives substantially all its revenue from franchise agreements related to franchise fees, royalties, technology fees, transfer fees, and brand fund fees.

*Franchise fees and royalties*

Contract consideration from franchisees primarily consists of initial or renewal franchise fees, multi-unit agreement fees ("MUAs"), sales-based royalties, sales-based brand fund fees, and transfer fees payable by a franchisee for the transfer of their franchise unit to another franchisee. The Company enters into MUAs which grant a franchisee the right to develop two or more franchise territories. The Company collects an up-front fee for the grant of such rights. The initial franchise fees and up-front multi-unit fees are nonrefundable and collectable when the underlying franchise agreement or MUA is signed by the franchisee. Sales-based royalties, sales-based brand fund fees, sales-based success center fees, sales-based sales fees, sales-based enterprise customer fees and software license fees are payable on a monthly basis. Renewal and transfer fees are due from franchisees when an existing franchisee renews the franchise agreement for an additional term or when a transfer to a third party occurs, respectively.



**DADDY'S CHICKEN SHACK FRANCHISING LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

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

Revenue and cost recognition (continued)

*Franchise fees and royalties (continued)*

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

The Company estimates the stand-alone selling price of training services that are not brand specific using an adjusted market assessment approach. The Company first allocates the initial franchise fees and the fixed consideration, under the franchise agreement to the stand-alone selling price of the training services that are not brand specific and the residual, if any, to the right to access the Company's intellectual property. Consideration allocated to training services that are not brand specific are recognized ratably as the training services are rendered.

Initial and renewal franchise fees allocated to the right to access the Company's intellectual property are recognized as revenue on a straight-line basis over the term of the respective franchise agreement. MUAs generally consist of an obligation to grant the right to open two or more territories. These development rights are not distinct from franchise agreements; therefore, up-front fees paid by franchisees for development rights are deferred and apportioned to each franchise agreement signed by the franchisee. The pro-rata amount apportioned to each franchise agreement is recognized as revenue in the same manner as the initial and renewal franchise fees.

Royalties are earned based on a percentage of a franchisee's gross revenues. Franchise royalties represent sales-based royalties that are related entirely to the use of the Company's intellectual property and are recognized as franchisee sales occur and the royalty is deemed collectible.

*Brand development fund*

The Company reserves the right to establish a brand development fund to collect and administer funds contributed for use in advertising and promotional programs for franchise units. Franchisees will be charged 1% of their monthly gross sales by the brand development fund in accordance with the Company's standard franchise agreement. As of the date these financial statements were available to be issued, the Company has not yet established a brand development fund. The Company has determined that it will act as a principal in the collection and administration of the brand development fund and therefore will recognize the revenues and expenses related

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

Revenue and cost recognition (continued)

*Brand development fund (continued)*

to the brand development fund on a gross basis. The Company has determined that the right to access its intellectual property and administration of the brand development fund are highly interrelated and therefore will be accounted for as a single performance obligation. As a result, revenues from the brand development fund represent the right to access the Company's intellectual property, which will be recognized as monthly franchisee sales occur. When brand development fund fees exceed the related brand development fund expenses in a reporting period, advertising costs will be accrued up to the amount of brand development fund revenues recognized.

*Other revenues*

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

*Incremental costs of obtaining a contract*

The Company capitalizes direct and incremental costs, principally consisting of commissions, associated with the sale of franchises and amortize them over the term of the franchise agreement. In the case of costs paid related to MUAs for which no signed franchise agreement has been received, these costs will be deferred until the signed franchise agreement is received.

Accounts receivable

Accounts receivable are stated at the amount the Company expects to collect. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of some of its franchisees to make required payments. The Company assesses collectibility by reviewing accounts receivable on a collective basis where similar risk characteristics exist. In determining the amount of the allowance for doubtful accounts, management considers historical collectibility and makes judgments about the creditworthiness of the pool of franchisees based on credit evaluations. Current market conditions and reasonable and supportable forecasts of future economic conditions are considered in adjusting the historical losses to determine the appropriate allowance for doubtful accounts. Uncollectible accounts are written off when all collection efforts have been exhausted.

Under the prior accounting rules, management considered the following factors when determining the collectibility of specific franchisee accounts: franchisee creditworthiness, past transaction history with the franchisee, and current economic industry trends. The Company had no allowance for doubtful accounts at December 31, 2022. The Company had allowance for credit losses amounting to \$22,500 at December 31, 2023.

Property and equipment

Property and equipment are carried at cost, less accumulated depreciation. Expenditures for maintenance and repairs are expensed currently, while renewals and betterments that materially extend the life of an asset are capitalized. The cost of assets sold, retired, or otherwise disposed of, and the related allowance for depreciation, are eliminated from the accounts, and any resulting gain or loss is recognized.

**DADDY'S CHICKEN SHACK FRANCHISING LLC**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

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

Property and equipment (continued)

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are as follows:

Leasehold improvements	Shorter of the life of the lease or asset
Software	3 years
Furniture and fixtures	5 years

Long-lived assets

The Company's long-lived assets, including the Company's right-of-use asset, are reviewed whenever events or changes in circumstances indicate that the carrying amount of the asset in question may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, the Company recognizes an impairment loss based on the estimated fair value of the asset. The Company did not identify an impairment adjustment as of December 31, 2023 and 2022.

Leases

The Company has an operating lease agreement for an office space. The Company determines if an arrangement is a lease at the inception of the contract. At the lease commencement date, each lease is evaluated to determine whether it will be classified as an operating or finance lease. For leases with a lease term of 12 months or less (a "Short-term" lease), any fixed lease payments are recognized on a straight-line basis over such term, and are not recognized on the balance sheet.

Lease terms include the noncancellable portion of the underlying leases along with any reasonably certain lease periods associated with available renewal periods, termination options and purchase options. The Company uses the risk-free discount rate when the rate implicit in the lease is not readily determinable at the commencement date in determining the present value of lease payments.

The lease contains fixed and determinable escalation clauses for which the Company recognizes rental expense under this lease on the straight-line basis over the lease term, which includes the period of time from when the Company takes possession of the leased space and the cumulative expense recognized on the straight-line basis. The lease agreement does not contain any material residual value guarantees or material restrictive covenants.

Income taxes

The Company is treated as a partnership for tax purposes and, as such, is not liable for federal or state income taxes. As a single-member limited liability company and, therefore, a disregarded entity for income tax purposes, the Company's assets and liabilities are combined with and included in the income tax return of the Member. Accordingly, the accompanying financial statements do not include a provision or liability for federal or state income taxes.

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

Uncertain tax positions

The Company recognizes and measures its unrecognized tax benefits in accordance with Financial Accounting Standards Board ("FASB") ASC 740, *Income Taxes*. Under that guidance, management assesses the likelihood that tax positions will be sustained upon examination based on the facts, circumstances and information, including the technical merits of those positions, available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change. There were no uncertain tax positions at December 31, 2023 and 2022.

The Member files income tax returns in the U.S. federal jurisdiction and in various state jurisdictions.

Advertising

Advertising costs are expensed as incurred and amounted to \$407,243, \$370,548 and \$81,435 for the years ended December 31, 2023 and 2022, and for the period from February 22, 2021 (inception) through December 31, 2021, respectively.

Variable interest entities

In accordance with the provisions of the FASB ASU No. 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities* ("ASU 2018-17"), Financial Accounting Standards Board ("FASB") no longer requires nonpublic companies to apply variable interest entity guidance to certain common control arrangements, including leasing arrangements under common control. The Company has applied these provisions to the accompanying financial statements and has determined that the entities disclosed in Note 11, meet the conditions under ASU 2018-17, and accordingly, are not required to be included in the Company's financial statements.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Company has evaluated subsequent events through May 20, 2024, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or disclosure in the financial statements.

**NOTE 3. FRANCHISED OUTLETS**

The following data reflects the status of the Company's franchised outlets as of and for the year ended December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Franchises sold	4	11	-
Franchises purchased	-	-	-
Franchised outlets in operation	2	-	-
Franchisor-owned outlets in operation	-	-	-

**DADDY'S CHICKEN SHACK FRANCHISING LLC**  
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**NOTE 4. RECENTLY ADOPTED ACCOUNTING STANDARDS**

In June 2016, FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326)* ("ASC 326"), which along with subsequently issued related ASUs, which requires financial assets (or groups of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected, among other provisions. ASC 326 eliminates the probable initial threshold for recognition of credit losses for financial assets recorded at amortized cost, which could result in earlier recognition of credit losses. It utilizes a lifetime expected credit loss measurement model for the recognition of credit losses at the time the financial asset is originated or acquired.

The Company's financial instruments includes accounts receivable. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

The Company adopted ASC 326 using the modified retrospective method at January 1, 2023, and it did not have a material impact on the financial statements.

**NOTE 5. LIQUIDITY AND BUSINESS RISKS**

The Company has historically sustained a net loss and negative cash flows from operations and, as a result, has negative working capital and an accumulated member's deficit of \$238,459 and \$771,820, respectively, as of December 31, 2023. Since inception, the Company's operations have been funded through capital contributions from the Member. The Company is growing and, as such, is incurring expenditures in the near term to benefit the future as it looks to grow the franchisee base and expand into new markets. Such expenses could be reduced or eliminated in order to improve operating cash flows as needed in the future.

Subsequent to the year ended December 31, 2023, management has taken several actions to improve operating cash flows mainly through the sale of franchise agreements. As of the date these financial statements were available to be issued, the Company continues to sell franchises. The Company believes that the combination of the actions taken will enable it to meet its funding requirements for one year from the date these financial statements were available to be issued. If necessary, management of the Company has been advised that the Member intends to provide any financial assistance needed by the Company should its cash flows from operations combined with its available cash balances not be sufficient to meet its working capital needs. Management believes that the Member has the intent and ability to provide the funds needed, if any, to continue to fund the operations of the Company for at least one year from the date these financial statements were available to be issued or until such time the Company generates meaningful revenues and attain profitable operations.

**NOTE 6. REVENUES AND RELATED CONTRACT BALANCES**

Disaggregated revenues

The Company derives its revenues from franchisees located throughout the United States. The economic risks of the Company's revenues are dependent on the strength of the economy in the United States and its ability to collect on its contracts. The Company disaggregates revenue from contracts with customers by timing of revenue recognition by type of revenues, as it believes this best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

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**NOTE 6. REVENUES AND RELATED CONTRACT BALANCES (CONTINUED)**

Disaggregated revenues (continued)

Revenues by timing of recognition were as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<i>Point in time:</i>			
Franchise fees	\$ 27,914	\$ -	\$ -
Royalties	35,124	-	-
Technology fees	<u>10,150</u>	<u>-</u>	<u>-</u>
Total revenues	73,188	-	-
 <i>Over time:</i>			
Franchise fees	<u>19,401</u>	\$ <u>6,153</u>	\$ <u>-</u>
Total	<u>\$ 92,589</u>	<u>\$ 6,153</u>	<u>\$ -</u>

Contract balances

Contract assets include accounts receivable. The balances as of December 31, 2023 and 2022, are \$3,681 and \$22,500, respectively.

Contract liabilities are comprised of unamortized initial fees received from franchisees, which are presented as "Deferred revenue" in the accompanying balance sheets. A summary of significant changes in deferred revenues is as follows:

	<u>2023</u>	<u>2022</u>
Deferred revenues, at beginning of year	\$ 891,347	\$ -
Revenue recognized during the year	(47,315)	(6,153)
New deferrals due to cash received	<u>470,000</u>	<u>897,500</u>
Deferred revenues, at end of year	<u>\$ 1,314,032</u>	<u>\$ 891,347</u>

At December 31, 2023, revenues expected to be recognized over the remaining term of the associated franchise agreements are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2024	\$ 169,285
2025	92,077
2026	72,515
2027	92,115
2028	109,131
Thereafter	<u>778,909</u>
Total	<u>\$ 1,314,032</u>

Deferred revenues consisted of the following:

	<u>2023</u>	<u>2022</u>
Franchise units not yet opened	\$ 1,290,670	\$ 891,347
Opened franchise units	<u>23,362</u>	<u>-</u>
Total	<u>\$ 1,314,032</u>	<u>\$ 891,347</u>

**DADDY'S CHICKEN SHACK FRANCHISING LLC**  
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**NOTE 6. REVENUES AND RELATED CONTRACT BALANCES (CONTINUED)**

Contract balances (continued)

The direct and incremental costs, principally consisting of commissions, are included in "Prepaid commissions" in the accompanying balance sheets. The direct and incremental costs expected to be recognized over the remaining term of the associated franchise agreements at December 31, 2023, are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2024	\$ 17,575
2025	25,175
2026	33,433
2027	40,733
2028	46,867
Thereafter	<u>295,977</u>
Total	<u>\$ 459,760</u>

**NOTE 7. CONCENTRATIONS OF CREDIT RISK**

Cash

Financial instruments that potentially expose the Company to concentration of credit risk consist primarily of cash. The Company's cash is placed with a major financial institution. At times, amounts held with this financial institution may exceed federally-insured limits. Management believes that this policy limits the Company's exposure to credit risk.

Accounts receivable

Concentration of credit risk with respect to receivables is limited due to the number of franchisees in the Company's customer base and their geographic dispersion. The Company provides an allowance for doubtful accounts equal to the estimated collection losses based on historical experience coupled with a review of the current market conditions and reasonable and supportable forecasts of future economic conditions.

**NOTE 8. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 245,774	\$ 232,593
Software	11,425	11,425
Furniture and fixtures	<u>5,747</u>	<u>5,747</u>
	262,946	249,765
Less: accumulated depreciation	<u>62,033</u>	<u>8,579</u>
Property and equipment, net	<u>\$ 200,913</u>	<u>\$ 241,186</u>

The depreciation expense for the years ended December 31, 2023 and 2022, amounted to \$53,453 and \$8,579, respectively. No depreciation was recorded for the period from February 22, 2021 (inception) through December 31, 2021, as the property and equipment was not put to use as of December 31, 2021.

**DADDY'S CHICKEN SHACK FRANCHISING LLC**  
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**NOTE 9. COMMITMENTS AND CONTINGENCIES**

Operating lease

The Company entered into a lease agreement on July 1, 2021, for its office space in Houston, Texas, where the Company conducts its operations, under a noncancelable operating lease expiring on June 30, 2027. The lease contains an option to extend the lease term at the option of the Company for two additional five-year periods, that management believes are not reasonably certain to be exercised.

Maturities of lease liabilities at December 31, 2023, are as follows:

Year ending December 31:

2024	\$	50,368
2025		51,380
2026		52,408
2027		<u>26,552</u>
Net minimum lease payments		180,708
Less: interest		<u>4,044</u>
Present value of lease liabilities		176,664
Less: current portion		<u>48,389</u>
Lease liabilities, net of current portion	\$	<u><u>128,275</u></u>

Supplemental cash flow information related to leases for the years ended December 31, 2023 and 2022, was as follows:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in measuring operating lease liabilities:		
Operating cash flows from operating leases	\$ <u>49,704</u>	\$ <u>24,852</u>
Variable lease payments	\$ <u>14,071</u>	\$ <u>6,000</u>
Average operating lease terms and discount rates were as follows:		
Weighted-average remaining lease term (years)	<u>3.5</u>	<u>4.5</u>
Weighted-average discount rate (%)	<u>1.31</u>	<u>1.31</u>

**NOTE 10. LITIGATION**

The Company is, from time to time, involved in ordinary and routine litigation. Management presently believes that the ultimate outcome of these proceedings, individually or in the aggregate, will not have a material adverse effect on the Company's financial position. Nevertheless, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include money damages and, in such event, could result in a material adverse impact on the Company's financial position.



**DADDY'S CHICKEN SHACK FRANCHISING LLC**  
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**NOTE 11. RELATED-PARTY TRANSACTIONS**

Due to related party

In the ordinary course of business, the Company periodically advances funds to and receives funds from an entity related to the Company by common ownership and control. No interest is charged on these advances. Advances to and from this entity are unsecured and have no specific repayment terms. At December 31, 2023 and 2022, the balance due to the related party amounted to \$1,450 and \$1,521, respectively.

License agreement

On August 30, 2021, the Company entered into a non-exclusive license agreement with the Member for the use of the registered name "Daddy's Chicken Shack." On January 12, 2022, the Member and the Licensor entered into a trademark assignment agreement whereby the Member assigned to the Licensor the right, title and interest in and to the trademark, as further defined. On January 12, 2022, the Company entered into a verbal arrangement which was memorialized on April 5, 2022, into a non-exclusive license agreement with the Licensor for the use of the registered name "Daddy's Chicken Shack" (the "license agreement"). Pursuant to the license agreement, the Company acquired the right to operate "Daddy's Chicken Shack" franchises, and the right to earn franchise fees, royalties and other fees from franchisees. In accordance with the license agreement, the Company shall pay the Licensor an annual license fee in an amount equal to the direct and indirect costs and expenses incurred by the Licensor in connection with developing, prosecuting, maintaining, and protecting the trademarks. The Licensor will not license the trademarks and/or confidential information to any third parties for the purpose of operating a competing franchise system. The Company was not charged a license fee as it has been waived off by the Licensor for the years ended December 31, 2023 and 2022, and for the period from February 22, 2021 (inception) through December 31, 2021.

**NOTE 12. LOCAL ADVERTISING COOPERATIVE**

The Company has the right to establish a regional fund or local advertising cooperative program will be comprised of all franchise outlets in a designated geographical area. If the regional funds or local advertising cooperative are established, franchisees would be required to contribute the greater of 2% of gross sales or \$2,000 per month as incurred, which will be determined by the Company. Local advertising cooperative funds are collected as the discretion of the Company. As of the date these financial statements were available to be issued, the Company has not yet established the local advertising cooperative.

**NOTE 13. BRAND DEVELOPMENT FUND**

The Company has the right to collect brand fund fees from franchisees for the brand development fund. Franchisees will be charged 1% of their monthly gross sales by the marketing fund in accordance with the Company's standard franchise agreement. The brand development fund is to be utilized for the benefit of the franchisees, with a portion designated to offset the Company's administrative costs to administer the funds, all at the discretion of the Company. As of the date these financial statements were available to be issued, the Company has not yet established the brand development fund.

## **UNAUDITED FINANCIAL STATEMENTS**

**THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.**

# Daddy's Chicken Shack Franchising, LLC

## Balance Sheet

As of March 31, 2024

**UNAUDITED**

	<u>Total</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Bank Accounts</b>	
DCS Franchising (9330)	\$ 240,280.15
<b>Total Bank Accounts</b>	<u>\$ 240,280.15</u>
<b>Accounts Receivable</b>	
11000 Accounts Receivable	\$ 22,500.00
11001 Allowance for doubtful accounts	\$ (22,500.00)
<b>Accounts Receivable (A/R)</b>	\$ -
<b>Total Accounts Receivable</b>	<u>\$ -</u>
<b>Other Current Assets</b>	
11210 Earned Royalties	\$ 8,350.64
11211 Tech Fee Receivable	\$ 4,350.00
12001 Prepaid Commissions	\$ 459,760.42
14000 Prepaid Expenses	\$ -
15100 Smallwares	\$ -
19000 Deposits	\$ 5,484.00
<b>Total Other Current Assets</b>	<u>\$ 477,945.06</u>
<b>Total Current Assets</b>	<u>\$ 718,225.21</u>
<b>Fixed Assets</b>	
15000 Furniture and Equipment	\$ 5,747.15
15400 Leasehold Improvements	\$ 245,773.83
15700 Website	\$ 11,425.00
16950 ROU Asset	\$ 91,079.32
17800 Accumulated Depreciation	\$ (74,901.99)
<b>Total Fixed Assets</b>	<u>\$ 279,123.31</u>
<b>TOTAL ASSETS</b>	<u>\$ 997,348.52</u>
<b>LIABILITIES AND EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
20000 Accounts Payable	\$ 152,321.02
<b>Total Accounts Payable</b>	<u>\$ 152,321.02</u>
<b>Other Current Liabilities</b>	
23000 Accrued Expenses	\$ 34,289.85
24000 Sales Services Compensation Payable	\$ 13,488.27
25200 Due to DCS Operations	\$ -
25510 Deferred Rent	\$ -
25600 N/P - 2022 Insurance Pkg	\$ -
26000 Deferred Franchise Fees	\$ 1,314,031.45
27550 Lease Incentive Obligation	\$ 176,663.95

<b>Total Other Current Liabilities</b>	<b>\$</b>	<b>1,538,473.52</b>
<b>Total Current Liabilities</b>	<b>\$</b>	<b>1,690,794.54</b>
<b>Total Liabilities</b>	<b>\$</b>	<b>1,690,794.54</b>
<b>Equity</b>		
<b>39005 Retained Earnings</b>	<b>\$</b>	<b>(1,636,819.01)</b>
<b>39006 Member's Cont - DCS Holdings</b>	<b>\$</b>	<b>1,333,500.00</b>
<b>Net Income</b>	<b>\$</b>	<b>(390,127.01)</b>
<b>Total Equity</b>	<b>\$</b>	<b>(693,446.02)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$</b>	<b>997,348.52</b>

# Daddy's Chicken Shack Franchising, LLC

## Profit and Loss by Month

January - March, 2024

**UNAUDITED**

	Jan 2024	Feb 2024	Mar 2024	Total
<b>Income</b>				
40000 Royalty Fees	\$ 10,554.98	\$ 12,933.53	\$ 17,337.52	\$ 40,826.03
40400 Tech Fees	\$ 4,350.00	\$ 4,350.00	\$ 7,250.00	\$ 15,950.00
<b>Total Income</b>	<b>\$ 14,904.98</b>	<b>\$ 17,283.53</b>	<b>\$ 24,587.52</b>	<b>\$ 56,776.03</b>
<b>Gross Profit</b>	<b>\$ 14,904.98</b>	<b>\$ 17,283.53</b>	<b>\$ 24,587.52</b>	<b>\$ 56,776.03</b>
<b>Expenses</b>				
60100 Adv/Mktg (Fran) - Mktg/PR	\$ 15,029.30	\$ 735.57		\$ 15,764.87
60250 Adv/Mktg (Corp) - Conf/Co	\$ 3,203.67			\$ 3,203.67
60260 Adv/Mktg (Corp) - Mktg/PR			\$ 8,575.67	\$ 8,575.67
60270 Adv/Mktg (Corp) - Trade Shows		\$ 3,851.68	\$ 80,654.24	\$ 84,505.92
65110 Facilities Exp - Rent	\$ 5,654.69	\$ 5,654.69	\$ 5,654.69	\$ 16,964.07
65600 G&A - Bank Charges	\$ 147.30	\$ 137.50	\$ 140.00	\$ 424.80
65610 G&A - Dues/Subscriptions	\$ 5,103.37	\$ 7,996.16	\$ 4,812.23	\$ 17,911.76
65620 G&A - Computers & Software	\$ 13,953.00	\$ 6,116.50	\$ 12,976.01	\$ 33,045.51
65640 G&A - Office Supplies	\$ 1,520.31		\$ 844.26	\$ 2,364.57
65670 G&A - Website Hosting	\$ 800.00	\$ 800.00	\$ 800.00	\$ 2,400.00
65680 G&A - Postage Expense	\$ 208.21		\$ 90.55	\$ 298.76
65690 G&A - Insurance			\$ 5,207.70	\$ 5,207.70
65697 G&A - Depreciation	\$ 4,289.70	\$ 4,289.70	\$ 4,289.70	\$ 12,869.10
71010 Payroll - Non-Owner	\$ 8,972.99	\$ 11,863.53	\$ 61,224.77	\$ 82,061.29
71020 Payroll - Payroll Taxes	\$ 2,616.31	\$ 2,761.70	\$ 6,011.94	\$ 11,389.95
71050 Employee Benefits			\$ 983.12	\$ 983.12
73000 Professional Fees - Accounting & HR	\$ 7,750.00	\$ 8,190.00	\$ 13,917.94	\$ 29,857.94
73010 Professional Fees - Legal	\$ 6,722.50	\$ 4,462.50	\$ 1,400.25	\$ 12,585.25
73030 Professional Fees - Consulting	\$ 26,729.85	\$ 12,680.00	\$ 15,080.00	\$ 54,489.85
73040 Sales Services Compensation		\$ 4,404.33	\$ 3,806.17	\$ 8,210.50
76200 Training	\$ 23,734.32		\$ 4,131.87	\$ 27,866.19
76500 Travel Exp - Air Travel	\$ 734.40	\$ 1,463.76	\$ 2,870.30	\$ 5,068.46
76510 Travel Exp - Lodging	\$ 1,530.29	\$ 1,912.65	\$ 4,053.41	\$ 7,496.35
76520 Travel Exp - Car/Taxi/Uber			\$ 737.70	\$ 737.70
76530 Travel Exp - Parking/Tolls			\$ 323.12	\$ 323.12
76540 Travel Exp - Meals	\$ 71.11	\$ 600.65	\$ 1,625.16	\$ 2,296.92
<b>Total Expenses</b>	<b>\$ 128,771.32</b>	<b>\$ 77,920.92</b>	<b>\$ 240,210.80</b>	<b>\$ 446,903.04</b>
<b>Net Operating Income</b>	<b>\$ (113,866.34)</b>	<b>\$ (60,637.39)</b>	<b>\$ (215,623.28)</b>	<b>\$ (390,127.01)</b>
<b>Net Income</b>	<b>\$ (113,866.34)</b>	<b>\$ (60,637.39)</b>	<b>\$ (215,623.28)</b>	<b>\$ (390,127.01)</b>

**EXHIBIT C**  
**TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**FRANCHISE AGREEMENT**



**DADDY'S CHICKEN SHACK FRANCHISING, LLC**  
**FRANCHISE AGREEMENT**

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**Exhibits:**

- A Identification of Franchisee
- B Site Selection Addendum
- C Authorization Agreement for Prearranged Payments (Direct Debits)
- D Statement of Ownership Interests
- E Guarantee, Indemnification, and Acknowledgment
- F Non-Disclosure and Non-Competition Agreement
- G Addendum to Lease



## FRANCHISE AGREEMENT

Daddy's Chicken Shack Franchising, LLC ("**Daddy's Chicken Shack**" or "**Franchisor**") and the undersigned (the "**Franchisee**") enter into this Franchise Agreement (this "**Agreement**") as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the "**Effective Date**").

### RECITALS

A. Daddy's Chicken Shack, as the result of the expenditure of significant time, skill, effort and money, has developed a distinctive and proprietary system (the "**Daddy's Chicken Shack System**" or "**System**") for establishing and operating restaurant businesses, which specialize in the sale of chicken menu items, such as fried and grilled chicken sandwiches, chicken and waffles, sliders, wings, tenders, and popcorn chicken, along with a breakfast offering, side items, beverages, and desserts, and such additional or alternate menu and other items as Daddy's Chicken Shack may designate from time to time for on-premises and off-premises consumption ("**Menu Items**");

B. The distinguishing characteristics of the System include, among other things: one or more specially-designed buildings or facilities for restaurant operations with specified site furniture, fixtures, kitchen display systems and equipment; site selection and layout criteria; distinctive interior and exterior design, décor, signage, color scheme, and furnishings, trade dress elements; proprietary products; standards, specifications, policies, and procedures for construction and management; quality, distinctiveness, and uniformity of products and services; standards, specifications, policies, and procedures for restaurant operations; training and assistance; and advertising and promotional programs, all as more particularly described and designated in the Manuals (defined below) and all of which Daddy's Chicken Shack may change, improve, and further develop at its option from time to time;

C. Daddy's Chicken Shack identifies the System by means of certain licensed trade names, service marks, trademarks, logos, emblems, and indicia of origin, including the mark "Daddy's Chicken Shack" and such other trade names, service marks, and trademarks as are now designated (and may hereinafter be designated) by Daddy's Chicken Shack in writing for use in connection with the System (the "**Proprietary Marks**"). Daddy's Chicken Shack uses such Proprietary Marks in order to identify for the public the source of products and services marketed thereunder and under the System, and to represent the System's high standards of quality, appearance, and service;

D. Daddy's Chicken Shack is in the business of franchising others to operate restaurants that sell Menu Items and products and services that Daddy's Chicken Shack designates under the System and the Proprietary Marks (each a "**Daddy's Chicken Shack Restaurant**") and Franchisee desires to operate a Daddy's Chicken Shack Restaurant and to receive the training and other assistance provided by Daddy's Chicken Shack in connection therewith; and

E. Franchisee understands and acknowledges the importance of Daddy's Chicken Shack's high standards of quality, cleanliness, appearance, and service and the necessity of operating the business franchised under this Agreement in conformity with Daddy's Chicken Shack's standards and specifications.

Now, therefore, in consideration of the foregoing and of the covenants contained in this Agreement, the parties agree as follows:

## 1. GRANT

1.1 Grant of Rights. Upon the terms and conditions set forth in this Agreement, Daddy's Chicken Shack hereby grants to Franchisee the right, and Franchisee accepts and undertakes the obligation, to: (a) operate one (1) Daddy's Chicken Shack Restaurant under the System (the "**Restaurant**"); (b) to use, only in connection with the Restaurant, the Proprietary Marks and the System, as they may be changed, improved, or further developed from time to time by Daddy's Chicken Shack; and (c) and to do so only at or from a physical premises located within the Designated Area (defined below in Section 1.2) at the location specified in **Exhibit A**. If, at the time of execution of this Agreement, a location for the Restaurant has not been obtained by Franchisee and approved by Daddy's Chicken Shack, Franchisee shall lease, sublease, or acquire a site for the Restaurant, subject to Daddy's Chicken Shack's written consent in accordance with the Site Selection Addendum attached as **Exhibit B** (the "**Site Selection Addendum**"). Franchisee shall not relocate the Restaurant without Daddy's Chicken Shack's prior written consent. Daddy's Chicken Shack shall grant or withhold consent of the location of the Restaurant under this Section 1.1. at its sole option. In connection with Daddy's Chicken Shack's consent to the location, Franchisee shall execute, and cause the landlord to execute, the Addendum to Lease appended hereto as **Exhibit G**. Franchisee acknowledges and agrees that Daddy's Chicken Shack's consent to Franchisee's proposed location, under this Section 1.1 or pursuant to the Site Selection Addendum, does not constitute any assurance, representation, or warranty of Daddy's Chicken Shack of any kind.

1.2 Designated Area. Except as otherwise described in this Agreement, for so long as Franchisee is in full compliance with this Agreement, Daddy's Chicken Shack will not, during the term of this Agreement, operate or license others to operate a Daddy's Chicken Shack Restaurant at a physical premises located within the Designated Area. "**Designated Area**" shall mean the area described in **Exhibit A**, with the exception of any outlet that is defined in this Agreement as an Alternative Point of Distribution (defined below) that is developed, constructed, operated, merchandised, sold, licensed, and/or franchised to others by Daddy's Chicken Shack to sell Menu Items, products, and services to the public within the Designated Area, as may be revised in accordance with Section 1.2.2 hereof. "**Alternative Point(s) of Distribution**" shall mean any outlet described in Section 1.2.2 of this Agreement. Daddy's Chicken Shack retains all other rights not expressly granted in this Agreement. Without obligation to Franchisee, Daddy's Chicken Shack and its affiliates may, among other things, and regardless of proximity to or economic impact upon the Restaurant:

1.2.1 Advertise and promote the brand and System within and outside of the Designated Area;

1.2.2 Sell or authorize others to sell Menu Items, products, and services to customers within and outside the Designated Area through Alternative Points of Distribution, which include outlets (whether mobile or fixed, permanent, or temporary) located on military bases, institutional outlets (including college campuses, hospitals and school lunch programs), fairs, athletic contests, or other special events, convenience stores, casinos, airports, and larger retail outlets, including Wal-Mart and Home Depot, toll roads, limited access highways, schools, universities, enclosed shopping malls, hotels, industrial or government facilities, amusement or theme park complexes, train stations, bus stations, or other transportation facilities, and other locations owned or operated by major institutions with sites throughout the country or a particular state, or any other outlet and to use the System in connection with those Alternative Points of Distribution;

1.2.3 Operate, and license others to operate, Restaurants at any location outside the Designated Area, including at locations that are adjacent to the Designated Area and despite the proximity of such Restaurants to the Designated Area or Franchisee's Restaurant or their actual or threatened impact on sales at Franchisee's Restaurant;

1.2.4 Offer and sell, or license others to offer and sell, any products or services (including those offered by the Restaurant), under any marks (including the Proprietary Marks) outside of the Designated Area, and through any means (including through a Daddy's Chicken Shack Restaurant);

1.2.5 Establish, operate, and license others to establish and operate, businesses other than Daddy's Chicken Shack Restaurants, including other food-related businesses, which businesses may be identified by other trademarks and/or may offer or sell products and services that are the same as or similar to the products and services offered by Daddy's Chicken Shack Restaurants, within and outside of the Designated Area and despite the proximity of such businesses to the Designated Area or Franchisee's Restaurant or their actual or threatened impact on sales at Franchisee's Restaurant;

1.2.6 Develop or become associated with other concepts (including other franchise systems), whether or not using the System and/or the Proprietary Marks, and/or offer or sell franchises under such concepts for locations within and outside of the Designated Area;

1.2.7 Acquire, be acquired by, merge, affiliate with, or engage in any transaction with other businesses (whether competitive or not) with outlets located anywhere and, even if such businesses are located in the Designated Area; (i) convert the other businesses to Daddy's Chicken Shack Restaurants, (ii) permit the other businesses to continue to operate under another name, and/or (iii) permit the businesses to operate under another name and convert existing Daddy's Chicken Shack Restaurants to such other name. Franchisee agrees to participate at Franchisee's expense in any such conversion as may be required by Daddy's Chicken Shack and to waive any claims, demands or damages arising from or related to the loss of the "Daddy's Chicken Shack" name, the Proprietary Marks (or any variation thereof) and the System and/or the loss of association with or identification of Daddy's Chicken Shack under this Agreement;

1.2.8 Offer and sell, and authorize others to offer and sell, products from Restaurants located outside the Designated Area to customers located within the Designated Area via take-out, catering, or delivery, including through an online ordering site or platform authorized by Franchisor; and

1.2.9 Engage in any other activity, action, or undertaking that Daddy's Chicken Shack or its affiliates are not expressly prohibited from taking under this Agreement.

1.3 No Right to Subfranchise. Franchisee may not subfranchise, sublicense, or relicense to others any right to use the System or the Proprietary Marks.

1.4 Goodwill and Daddy's Chicken Shack Name. Except as expressly provided by this Agreement, Franchisee shall acquire no right, title or interest in and to the System. Any and all goodwill associated with the System or Proprietary Marks shall inure exclusively to Daddy's Chicken Shack's benefit; and, upon the expiration or termination of this Agreement for any cause whatsoever, Daddy's Chicken Shack shall not have any obligation to pay any money for any goodwill associated with Franchisee's use of the System. Franchisee shall not take any action whatsoever to contest the validity or ownership of the System or the goodwill associated with the System. Franchisee shall have no right to use in its name the name "Daddy's Chicken Shack," "Daddy's," "Shack" or any other names used by Daddy's Chicken Shack.

## **2. TERM AND RENEWAL**

2.1 Term. Except as otherwise provided herein and unless sooner terminated in accordance with the provisions hereof, the initial term of this Agreement shall commence on the Effective Date and expire on the date that is ten (10) years after the Effective Date.

2.2 Renewal. Franchisee may, at its option, renew Franchisee's right to operate the Restaurant for one (1) additional term which shall be the lesser of (a) ten (10) years or (b) the remaining term of the lease for the Restaurant premises, including all applicable extensions or renewals, subject to the following conditions, each of which Franchisee must meet prior to such renewal:

2.2.1 Franchisee shall deliver to Daddy's Chicken Shack a written notice of Franchisee's election to renew no fewer than twelve (12) months nor more than eighteen (18) months prior to the end of the initial term;

2.2.2 Franchisee shall pay in lieu of the initial franchise fee, a renewal fee equal to twenty five percent (25%) of Daddy's Chicken Shack's then-current initial franchise fee for a new Daddy's Chicken Shack Restaurant when it delivers the written notice required under Section 2.2.1;

2.2.3 Franchisee shall not have received, prior to its election to renew, written notice of three (3) or more separate defaults under this Agreement or written notice of default on more than three (3) separate occasions and, from the time of Franchisee's election to renew through the expiration of the initial term, Franchisee shall not have been in default of any provision of this Agreement, any amendment to this Agreement, or any other agreement between Franchisee or its affiliates and Daddy's Chicken Shack or its affiliates; and, in the reasonable judgment of Daddy's Chicken Shack, Franchisee shall have substantially complied with all the terms and conditions of this Agreement, such other agreements, as well as the operating standards prescribed by Daddy's Chicken Shack during the term of this Agreement;

2.2.4 Franchisee shall present evidence to Daddy's Chicken Shack that Franchisee has the right to remain in possession of the premises of the Restaurant for the duration of the renewal term, or shall obtain approval by Daddy's Chicken Shack of a new location for the Restaurant for the duration of the renewal term;

2.2.5 Franchisee shall refurbish, remodel, renovate, and upgrade the Restaurant to comply with Daddy's Chicken Shack's then-current specifications for new Daddy's Chicken Shack restaurants of the same or similar type, including fixtures, furnishings, technology and kitchen equipment, which may differ materially from the specifications in effect as of the Effective Date of this Agreement;

2.2.6 Franchisee shall have satisfied all monetary obligations owed by Franchisee to Daddy's Chicken Shack and its affiliates, and shall have timely met those obligations throughout the term of this Agreement;

2.2.7 Franchisee shall execute a general release, in a form satisfactory to Daddy's Chicken Shack of any and all claims against Daddy's Chicken Shack and its current and former affiliates, and their respective past and present owners, officers, directors, agents, and employees;

2.2.8 Franchisee shall execute Daddy's Chicken Shack's then-current form of franchise agreement, which agreement shall supersede this Agreement in all respects (except with respect to the renewal provisions of the new franchise agreement, which shall not supersede this Section 2.2), and Franchisee acknowledges that the terms, conditions, and provisions of which, and the obligations of the parties thereto, may differ substantially from the terms, conditions, provisions and obligations in this Agreement, including a higher percentage Royalty Fee and Brand Development Fund Contribution or local advertising expenditure, and a different or modified Designated Area; and

2.2.9 Franchisee and its personnel shall comply with Daddy's Chicken Shack's then-current qualification and training requirements, prior to commencement of operations under the renewal form of franchise agreement.

2.3 No Assurances of a Renewal Franchise Agreement. Franchisee accepts this Agreement with the full and complete understanding that the grant of rights to operate a franchise hereunder is not a promise or assurance that Franchisee will be granted a renewal franchise agreement.

2.4 Holdover. In the event the parties continue to perform under this Agreement after expiration of the initial term or any renewal term, as applicable, without executing a new agreement, this Agreement will be deemed to extend on a month-to-month basis and both parties will have the right to terminate (and prevent further extensions of) this Agreement upon at least thirty (30) days' written notice.

### **3. FEES AND PAYMENTS**

3.1 Franchise Fee. Franchisee shall pay Daddy's Chicken Shack an initial franchise fee of Forty-Five Thousand Dollars (\$45,000), upon execution of this Agreement. Except as otherwise stated in this Agreement, the Franchise Fee is fully earned and non-refundable in consideration of the administrative and other expenses incurred by Daddy's Chicken Shack in granting this franchise and for Daddy's Chicken Shack's lost or deferred opportunity to offer the rights to this franchise to others.

3.2 Training Fee. Franchisee shall pay to Daddy's Chicken Shack a training fee of Five Thousand Dollars (\$5,000) (the "**Training Fee**") upon execution of this Agreement. The Training Fee is consideration for initial training for Franchisee's Principal Trainees, as described in Section 5.4.

3.3 Royalty Fees. Franchisee shall pay Daddy's Chicken Shack a continuing royalty fee in an amount equal to six percent (6%) of the Restaurant's Gross Sales ("**Royalty Fees**"). Franchisee shall pay the Royalty Fees within two (2) days after the close of each Sales Week (defined below), based on the Gross Sales of the Restaurant for the immediately preceding Sales Week, or for such other period as Daddy's Chicken Shack may specify in the Manuals or otherwise in writing.

3.3.1 "**Gross Sales**" means all revenue from the sale of all products, including all Menu Items and all other products or services offered at or from the Restaurant, and all other income of every kind and nature related to, derived from, or originating from the Restaurant, including proceeds of any business interruption insurance policies, whether at retail, delivery, catering, or wholesale (whether such sales are permitted or not), whether for cash, check, or credit, and regardless of collection in the case of check or credit; provided, however, that "Gross Sales" excludes any customer refunds, discounts from coupon sales, sales taxes, and/or other taxes collected from customers by Franchisee and actually transmitted to the appropriate taxing authorities, and third-party delivery fees (e.g., UberEats) paid by Franchisee or Restaurant customers for the delivery of Menu Items to Restaurant customers.

3.3.2 The term "**Sales Week**" means the period starting with the commencement of business on Monday and concluding at the close of business on the following Sunday (or, if the Restaurant is not open on a Sunday, the immediately preceding business day); however, Daddy's Chicken Shack shall have the right to designate in writing any other period of not less than seven days to constitute a "**Week**" under this Agreement.

3.4 Brand Development Fund Contribution. Following establishment of a Brand Development Fund, Franchisee shall pay Daddy's Chicken Shack or its designee a Brand Development Fund Contribution (defined in Section 6.2) in an amount designated by Daddy's Chicken Shack, but in no event no more than five percent (5%) of Gross Sales. The Brand Development Fund Contribution is payable monthly by Franchisee in the manner designated or prescribed by Daddy's Chicken Shack in Sections 3.5 and 6.2 below and/or in the Manuals.

3.5 Continuing Payments, EFT, and Reporting Obligations. All payments required by Section 3.3 based on the Gross Sales for the preceding Sales Week (or for such other period as Daddy's Chicken Shack may specify in the Manuals or otherwise in writing), shall be paid and submitted by electronic funds transfer so as to be received by Daddy's Chicken Shack within two (2) days after the close of the Sales Week. All payments required by Section 3.4 based on the Gross Sales for the preceding month (or for such other period as Daddy's Chicken Shack may specify in the Manuals or otherwise in writing) and any other monthly payments required hereunder, shall be paid and submitted by electronic funds transfer so as to be received by Daddy's Chicken Shack within fifteen (15) days after the close of the applicable month. Franchisee shall execute a form of electronic funds transfer (“EFT”) authorization (in the form attached as **Exhibit C** to this Agreement or such other forms that Daddy's Chicken Shack designates) for direct debits from Franchisee's business bank operating account. Franchisee shall deliver to Daddy's Chicken Shack any and all reports, statements and/or other information required under Section 7 below, at the time and in the format reasonably requested by Daddy's Chicken Shack, which may include electronically polled data from Franchisee's point-of-sale system. Franchisee shall comply with the payment and reporting procedures specified by Daddy's Chicken Shack in this Agreement and the Manuals. To ensure that payments are received by Daddy's Chicken Shack on as timely basis, such policies and procedures may require that Franchisee have sufficient funds in its account by a date certain, as the EFT process may sweep such account the day before for payment on the preceding day. Franchisee's obligations for the full and timely payment of Royalty Fees and Brand Development Fund Contributions, and all other amounts provided for in this Agreement, shall be absolute, unconditional, fully earned, and due upon Franchisee's generation of Gross Sales. Franchisee shall not for any reason delay or withhold the payment of all or any part of those or any other payments due hereunder, put the same in escrow, or set off same against any claims or alleged claims Franchisee may allege against Daddy's Chicken Shack or others. Franchisee shall not, on grounds of any alleged nonperformance by Daddy's Chicken Shack or others, withhold payment of any fee, including Royalty Fees or Brand Development Fund Contributions, nor withhold or delay submission of any reports due hereunder. Daddy's Chicken Shack reserves the right to change the due date of any fees upon ten (10) days' prior written notice to Franchisee.

3.6 Technology Fee. Franchisee must pay Daddy's Chicken Shack a monthly technology fee (“**Technology Fee**”) in its then-current amount for access to and/or use of technology systems, services, platforms, and software that Daddy's Chicken Shack requires Franchisee to obtain or access through Daddy's Chicken Shack, as Daddy's Chicken Shack deems necessary and advisable in its sole determination, which may include, for example, licenses, subscriptions, development, maintenance, and/or access to point-of-sale software and platform, intranet, online ordering system, streaming music software, learning management system, and a Daddy's Chicken Shack email address. Daddy's Chicken Shack reserves the right to change, add to, remove from, or substitute the types, nature, and ultimate vendor of technology systems, services, platforms, and software that Franchisee must obtain or access through Daddy's Chicken Shack. Daddy's Chicken Shack may increase or otherwise change the amount of the Technology Fee upon prior written notice to Franchisee, including upon changes in the technology systems, services, platforms, and software that Franchisee must obtain or access through or from Daddy's Chicken Shack or changes in Daddy's Chicken Shack's costs regarding such technology systems, services, platforms, and software.

3.7 No Subordination. Franchisee shall not subordinate to any other obligation its obligation to pay Daddy's Chicken Shack the Royalty Fees and/or any other fee or charge payable to Daddy's Chicken Shack, whether under this Agreement or otherwise.

3.8 Overdue Payments and Reports; Interest. Any payment or report not actually received by Daddy's Chicken Shack (or the appropriate brand development fund) on or before the date such payment or report is due shall be deemed overdue. If any payment or report is overdue, Franchisee shall pay Daddy's Chicken Shack, in addition to the overdue amount, a late payment/late report charge of one hundred dollars

(\$100) for each week or part thereof that the payment or report is late, and interest on such amount from the date it was due until paid, at the rate of one and one-half percent (1.5%) per month, or the maximum rate permitted by law, whichever is less. Entitlement to such interest shall be in addition to any other remedies Daddy's Chicken Shack may have.

3.9 Payments on Behalf of Franchisee. Franchisee shall pay to Daddy's Chicken Shack, within fifteen (15) days of any written request by Daddy's Chicken Shack which is accompanied by reasonable substantiating material, any monies which Daddy's Chicken Shack has paid, or has become obligated to pay, on behalf of Franchisee, by consent or otherwise under this Agreement.

3.10 Other Payments. All payments and fees owed by Franchisee to Daddy's Chicken Shack shall be paid by Franchisee in the manner and within the time periods as provided for in this Agreement or in the Manuals. Daddy's Chicken Shack reserves the right to collect all fees and payments due by Franchisee by EFT as provided for in Section 3.5 or otherwise in the Manuals.

3.11 No Refunds. Upon the expiration or termination of this Agreement, Daddy's Chicken Shack shall not refund any amounts paid pursuant to this Agreement for any reason whatsoever.

#### **4. SERVICES BY DADDY'S CHICKEN SHACK**

4.1 Development of the Restaurant. Daddy's Chicken Shack or its designee shall make available to Franchisee a copy of its standard construction/build-out package, as modified from time to time, including plans and specifications, site criteria, and sample site plans, which Franchisee must adapt, at Franchisee's expense, for use at the site selected by Franchisee and approved by Daddy's Chicken Shack, and a copy of Daddy's Chicken Shack's specifications for the furniture, fixtures, furnishings, equipment, signs and all other property that Daddy's Chicken Shack may specify for use in the Restaurant. Franchisee acknowledges that such specifications shall not contain the requirements of any federal, state or local law, code or regulation (including those concerning the Americans with Disabilities Act (the "ADA") or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor shall such plans contain the requirements of, or be used for, construction/build-out drawings or other documentation necessary to obtain permits or authorization to build a specific Daddy's Chicken Shack Restaurant, compliance with all of which shall be Franchisee's responsibility and at Franchisee's expense. Franchisee shall adapt, at Franchisee's expense, the standard specifications to the Restaurant location, subject to Daddy's Chicken Shack's approval, as provided in Section 5.1 below, which will not be unreasonably withheld, provided that such plans and specifications conform to Daddy's Chicken Shack's general criteria. Franchisee understands and acknowledges that Daddy's Chicken Shack has the right to modify the architectural plans and specifications as Daddy's Chicken Shack deems appropriate from time to time.

4.2 Initial and Ongoing Assistance. Prior to the Restaurant opening, Daddy's Chicken Shack shall provide to Franchisee's Operating Principal (as defined in Section 5.26.4.1 below), General Manager (as defined in Section 5.26.4.3 below) and to such of Franchisee's other employees of which Daddy's Chicken Shack shall approve for training, such training programs as Daddy's Chicken Shack may designate, to be conducted at such time(s) and location(s) designated by Daddy's Chicken Shack. Daddy's Chicken Shack shall also provide such ongoing training as it may, from time to time, deem appropriate. Daddy's Chicken Shack shall be responsible for the cost of instruction and materials, subject to the terms set forth in Section 3.2 above and Section 5.4 below.

4.3 Opening Assistance. Daddy's Chicken Shack will provide such pre-opening assistance to Franchisee as Daddy's Chicken Shack deems advisable, which may include assisting Franchisee in formulating its initial opening orders for equipment, inventory, and supplies. Daddy's Chicken Shack may

have one of its representatives present at the Restaurant for such assistance and consultation as it deems appropriate. The date, time, and nature of the pre-opening support will be determined by Daddy's Chicken Shack at its sole option. Daddy's Chicken Shack will provide such additional onsite preopening and opening supervision and assistance as Daddy's Chicken Shack deems advisable.

4.4 Manuals. Daddy's Chicken Shack shall loan or otherwise provide Franchisee access to Daddy's Chicken Shack's confidential Standard Operating Procedures Manual and other manuals (the "**Manuals**"), which may be revised from Daddy's Chicken Shack from time to time.

4.5 Merchandising and Marketing Advice. Daddy's Chicken Shack shall provide Franchisee such merchandising, marketing and other related advice as Daddy's Chicken Shack deems advisable and as Daddy's Chicken Shack may develop from time to time.

4.6 Ongoing Assistance. Daddy's Chicken Shack shall provide such periodic individual or group advice, consultation, and assistance, rendered by personal visit, telephone, mail, or e-mail and made available from time to time as Daddy's Chicken Shack deems advisable at the time(s) and in the manner determined by Daddy's Chicken Shack.

4.7 Bulletins and Reports. Daddy's Chicken Shack shall provide Franchisee such bulletins, intranet information, brochures, and reports published by Daddy's Chicken Shack from time to time as Daddy's Chicken Shack deems advisable regarding its plans, policies, research, developments, and activities.

4.8 Computer System. Daddy's Chicken Shack shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, kitchen display systems, software, and hardware to be used by, between, or among Daddy's Chicken Shack Restaurants, including: (a) back office and point-of-sale systems, learning management system, data, audio, video, and voice storage, retrieval, and transmission systems for use at Franchisee's Restaurant, between or among Daddy's Chicken Shack Restaurants, and between and among Franchisee's Restaurant and Daddy's Chicken Shack and/or Franchisee; (b) physical, electronic, and other security systems; (c) printers and other peripheral devices; (d) archival back-up systems; (e) e-mail systems; and (f) Internet access mode and speed (collectively, the "**Computer System**").

4.9 Inspection. Daddy's Chicken Shack shall have the right to inspect the Restaurant prior to the opening of the Restaurant and periodically throughout the term of this Agreement as described in Section 5.13 below.

4.10 Delegation of Duties. Franchisee acknowledges and agrees that any designee, employee, or agent of Daddy's Chicken Shack may perform any duty or obligation imposed on or available to Daddy's Chicken Shack by this Agreement, as Daddy's Chicken Shack may direct.

## **5. OBLIGATIONS OF FRANCHISEE; OPERATIONAL STANDARDS**

5.1 System Standards and Development of Restaurant. Franchisee understands and acknowledges that every detail of the Restaurant is important to Franchisee, Daddy's Chicken Shack, and other franchisees in order to develop and maintain high operating standards, to increase the demand for the products sold by all franchisees, and to protect Daddy's Chicken Shack's reputation and goodwill. Franchisee shall construct, furnish, and open the Restaurant according to the requirements contained herein, and Franchisee shall open the Restaurant at the later of (a) one hundred eighty (180) days after the Effective Date, or (b) if upon execution of this Agreement, a location for the Restaurant has not been obtained by Franchisee and approved by Daddy's Chicken Shack, one hundred eighty (180) days after the later of



(i) Daddy's Chicken Shack's approval of the location for the Restaurant pursuant to the Site Selection Addendum), or (ii) Franchisee's access to the leased premises as permitted by the lessor under the lease.

5.2 Pre-Opening Obligations. Before commencing any construction of the Restaurant, Franchisee, at its expense, shall comply, to Daddy's Chicken Shack's satisfaction, with all of the following requirements:

5.2.1 Franchisee shall employ a qualified, licensed architect or engineer who is approved by Daddy's Chicken Shack to prepare, for Daddy's Chicken Shack's approval, preliminary plans and specifications for site improvement and construction of the Restaurant based upon the site construction package furnished by Daddy's Chicken Shack or its designee pursuant to Section 4.1, and as may otherwise be authorized by Daddy's Chicken Shack due to the particularities of the site of the proposed location. Daddy's Chicken Shack's approval shall be limited to conformance with Daddy's Chicken Shack's standard image specifications and layout and shall not relate to Franchisee's obligations with respect to any federal, state and local laws, codes and regulations including the applicable provisions of the ADA regarding the construction, design and operation of the Restaurant, which subjects shall be Franchisee's sole responsibility.

5.2.2 Franchisee shall comply, at Franchisee's expense, with all federal, state, and local laws, codes, and regulations, including the applicable provisions of the ADA regarding the construction/build-out, design, and operation of the Restaurant.

5.2.3 Franchisee shall be responsible for obtaining all zoning classifications and clearances which may be required by state or local laws, ordinances, or regulations or which may be necessary or advisable owing to any restrictive covenants relating to Franchisee's location. After having obtained such approvals and clearances, Franchisee shall submit to Daddy's Chicken Shack, for Daddy's Chicken Shack's approval, final plans for construction based upon the preliminary plans and specifications. Daddy's Chicken Shack's review and approval of plans shall be limited to review of such plans to assess compliance with Daddy's Chicken Shack's design standards for Daddy's Chicken Shack Restaurants. Once approved by Daddy's Chicken Shack, such final plans shall not thereafter be changed or modified without the prior written permission of Daddy's Chicken Shack. Any such change made without Daddy's Chicken Shack's prior written permission shall constitute a material default under this Agreement and Daddy's Chicken Shack may withhold its authorization to open the Restaurant for business until the unauthorized change is rectified (or reversed) to Daddy's Chicken Shack's reasonable satisfaction.

5.2.4 Franchisee shall obtain all permits and certifications required for the lawful construction and operation of the Restaurant and shall certify in writing to Daddy's Chicken Shack that all such permits and certifications have been obtained. Franchisee shall provide copies of all such permits and certificates to Daddy's Chicken Shack within ten (10) days of Daddy's Chicken Shack's request for same.

5.2.5 Franchisee shall employ a qualified licensed general contractor approved by Daddy's Chicken Shack to construct/build-out the Restaurant and to complete all improvements. Franchisee shall obtain and maintain in force during the entire period of construction the insurance required under Section 11 below; and Franchisee shall deliver to Daddy's Chicken Shack such proof of such insurance as Daddy's Chicken Shack shall require.

5.2.6 Prior to signing a lease, Franchisee shall submit to Daddy's Chicken Shack a final draft of the lease for the Restaurant premises. The lease must contain the provisions contained in **Exhibit G** (Addendum to Lease) hereof and be approved in writing by Daddy's Chicken Shack prior to Franchisee's signing of the final lease. Within fifteen (15) days following Franchisee's execution of the lease for the Restaurant premises, Franchisee shall provide to Daddy's Chicken Shack copies of (i) the fully-executed

lease for the premises and the executed Addendum to Lease and (ii) the landlord's and property management company's notice address and contact information.

5.3 Restaurant Opening. In connection with the opening of the Restaurant:

5.3.1 Franchisee shall not open the Restaurant for business without first complying with all of Daddy's Chicken Shack's pre-opening requirements and obligations contained in this Agreement and the Manuals and obtaining Daddy's Chicken Shack's prior written consent.

5.3.2 Franchisee shall draw upon the Grand Opening Program Amount as described in Section 6.1 to conduct such grand opening and promotional activities as Daddy's Chicken Shack may require.

5.3.3 Franchisee shall not open the Restaurant until Daddy's Chicken Shack has determined that all construction/build out has been substantially completed, and that such construction/build out conforms to Daddy's Chicken Shack's standards, including materials, quality of work, signage, decor, paint, and equipment.

5.3.4 Franchisee shall not open the Restaurant until the Operating Principal, the General Manager, and one (1) other Franchisee Principal Trainee (as defined in Section 5.4 below) has successfully completed all training required by Daddy's Chicken Shack, and Franchisee has hired and trained a sufficient number of employees to service the anticipated level of the Restaurant's customers.

5.3.5 Franchisee shall not open the Restaurant until all amounts due to Daddy's Chicken Shack under this Agreement or any other related agreements have been paid.

5.4 Training. Franchisee acknowledges that its owners and managers must be knowledgeable regarding the operation of Daddy's Chicken Shack Restaurants, including the preparation and delivery of Menu Items and the provision of customer service in accordance with the brand standards established by Daddy's Chicken Shack, which may be modified by Daddy's Chicken Shack from time to time. Franchisee acknowledges that successful completion of Daddy's Chicken Shack's training programs by Franchisee's owners and managers is critical to properly own, operate, and manage the Restaurant. Franchisee acknowledges that applicable laws and regulations require that at least one person on the staff at a food service business must satisfactorily complete state and/or local mandated food handling training, and be certified as having successfully completed the training. Franchisee (or the Operating Principal or General Manager) and at least one other employee that attends Daddy's Chicken Shack's initial training program must also successfully complete a state and/or local mandated food handling program before commencing training with Daddy's Chicken Shack, and Franchisee (or the Operating Principal or General Manager) and each trainee must provide a certificate of successful completion of such program prior to commencing training. Also, Franchisee's employees must be covered by Franchisee's workers' compensation insurance policy prior to commencing training with Daddy's Chicken Shack, and Franchisee must provide evidence of such coverage upon request by Daddy's Chicken Shack. At least three (3) individuals must attend and successfully complete Daddy's Chicken Shack's initial training program: the Franchisee's Operating Principal, one (1) full-time General Manager, and one (1) other employee of Franchisee as approved by Daddy's Chicken Shack (collectively, the "**Franchisee's Principal Trainees**").

5.4.1 Initial Training. Prior to the opening of the Restaurant, the Franchisee's Principal Trainees, and such other employees of Franchisee who Daddy's Chicken Shack shall have the right to designate and approve, shall attend and successfully complete, to Daddy's Chicken Shack's satisfaction, the initial training program offered by Daddy's Chicken Shack. All aspects of the Restaurant shall be conducted under the management and supervision of the Operating Principal. In addition, the daily

operations of the Restaurant shall be supervised under the active full-time management of the Operating Principal or General Manager who has successfully completed (to Daddy's Chicken Shack's satisfaction) Daddy's Chicken Shack's initial training program.

5.4.2 Operating Principal and General Manager. If the Operating Principal or the General Manager cease active management of or employment at the Restaurant, Franchisee shall enroll a qualified replacement (who shall be reasonably acceptable to Daddy's Chicken Shack) in Daddy's Chicken Shack's initial training program not more than thirty (30) days after the cessation of the former person's full-time employment and/or management responsibilities. The replacement shall attend and successfully complete the initial training program, to Daddy's Chicken Shack's reasonable satisfaction, as soon as it is practical to do so. Franchisee shall pay Daddy's Chicken Shack's then-current training fees and per diem expenses for such training.

5.4.3 Refresher Training. The Franchisee's Principal Trainees may also be required to attend such refresher courses, seminars, and other training programs as Daddy's Chicken Shack may reasonably specify from time to time, including up to twenty (20) days of refresher programs each year during the term of the Agreement. In addition, such of the Franchisee's Principal Trainees as Daddy's Chicken Shack may require, may be required to attend Daddy's Chicken Shack's annual or periodic conventions or conference, as applicable, for up to three (3) days per year.

5.4.4 Annual Convention. If Daddy's Chicken Shack elects to hold an annual convention, Franchisee shall attend Daddy's Chicken Shack's annual convention, and attend the annual convention at Franchisee's expense. Franchisee shall be responsible for Franchisee's and any approved-attendees' costs and expenses to attend the convention, including transportation, meals and lodging. Daddy's Chicken Shack reserves the right to charge a registration fee for franchisees to attend the annual conference in the future.

5.4.5 Training Costs. In exchange for Franchisee's payment of the Training Fee set forth in Section 3.2, the cost of all initial training instruction and required materials shall be borne by Daddy's Chicken Shack. All other expenses incurred in connection with training and, if required, attendance at Daddy's Chicken Shack's conventions and conferences, including the costs of transportation, lodging, meals, wages, workers' compensation insurance and trainees' meals during training sessions, for Franchisee, its investors, and all of its employees, shall be borne by Franchisee.

5.4.6 Additional Training. If Franchisee requests that Daddy's Chicken Shack provide on-site training in addition to that described in this Section 5.4, and Daddy's Chicken Shack agrees to do so, then Franchisee shall pay Daddy's Chicken Shack's then-current per diem charges and out-of-pocket expenses, which shall be as set forth in the Manual or otherwise in writing.

5.5 Restaurant Premises. Franchisee shall use the Restaurant premises solely for the operation of the Restaurant; shall keep the Restaurant open and in normal operation for such hours and days as Daddy's Chicken Shack may from time to time specify in the Manuals or as Daddy's Chicken Shack may otherwise approve in writing; and shall refrain from using or permitting the use of the Restaurant premises for any other purpose or activity at any time. As used in this Section 5.5, the term "**premises**" shall include the grounds surrounding the Restaurant. Franchisee shall comply with all terms and conditions of the lease for the Restaurant, and shall provide Daddy's Chicken Shack with copies of all notices of default or breach of the lease, notices regarding the renewal or extension of the lease, and all other notices or correspondence related to Franchisee compliance with lease and Franchisee's right to remain in possession of the premises not later than two (2) days after receipt thereof by Franchisee.

5.6 Personnel. Franchisee agrees to maintain a competent, conscientious, trained staff in numbers sufficient to promptly service customers, including at least one (1) General Manager on duty at all times and to take such steps as are necessary to ensure that its employees preserve good customer relations and comply with such dress code as Daddy's Chicken Shack may prescribe. Franchisee shall comply with all applicable employment, personnel, and wage and hour laws and regulations. Franchisee is solely responsible for all employment and personnel decisions and functions of the Restaurant, including those related to hiring, firing, training, compliance with wage and hour requirements, personnel policies, scheduling, benefits, recordkeeping, supervision, and discipline of employees, regardless of whether Franchisee receives advice from Daddy's Chicken Shack on these subjects. Franchisee acknowledges and agrees that all employment and personnel decisions, including hiring, firing, disciplining, compensation, benefits, and scheduling, shall be made by Franchisee, without any influence from Daddy's Chicken Shack, and such decisions and actions shall not be, nor be deemed to be, a decision or action of Daddy's Chicken Shack. Further, it is the intention of the parties to this Agreement that Daddy's Chicken Shack shall not be deemed an employer or joint employer of Franchisee or Franchisee's employees for any reason. Franchisee is solely responsible for ensuring its managers and employees are adequately trained and supervised.

5.7 Health, Sanitation, and Safety Standards. Franchisee shall meet and maintain the highest health, sanitation, and safety standards and ratings applicable to the operation of the Restaurant. Franchisee shall furnish to Daddy's Chicken Shack, within five (5) days after receipt thereof, a copy of all inspection reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state, or municipal agency with jurisdiction over the Restaurant. Without limiting the foregoing, Franchisee and all required personnel shall obtain and maintain all necessary and required licenses and certificates for food service and food handling as may be required by applicable local rules and regulations and/or the Manual.

5.8 Restaurant Maintenance. Franchisee shall at all times maintain the Restaurant in a high degree of sanitation, repair, and condition, and in connection therewith shall make such additions, alterations, repairs, and replacements thereto (but no others without Daddy's Chicken Shack's prior written consent) as may be required for that purpose, including such periodic repainting or replacement of obsolete signs, furnishings, equipment, and décor as Daddy's Chicken Shack may reasonably direct.

5.9 Remodeling. Without limiting Section 5.10 below, Daddy's Chicken Shack shall have the right (the "**Remodel Right**") to require Franchisee to perform such remodeling, repairs, replacements, and redecoration in and upon the premises and equipment as Daddy's Chicken Shack may deem necessary and practical to bring the premises and equipment up to the then-current operational standards and image of Daddy's Chicken Shack. Daddy's Chicken Shack may exercise its Remodel Right upon (a) the expiration of every 5-year period following the opening of the Restaurant for business with the public. The expenditure required to remodel the Restaurant shall be capped at five hundred thousand dollars (\$500,000) indexed pursuant to the Consumer Price Index (CPI); (b) the sale, assignment, transfer, or encumbrance (collectively, the "**Transfer**") of any of the rights created by this Agreement, any part of the System, or any other interest created under this Agreement, including if Franchisee is a legal entity, the sale, resale, pledge, assignment, transfer or encumbrance of any ownership interest in Franchisee that, alone or together with any other related, previous, simultaneous or proposed transfers, would result in a change in "control" of Franchisee within the meaning of the Securities Act of 1933, as amended, and the rules and regulations promulgated under that act; or (c) the issuance of a renewal or successor franchise agreement. If Daddy's Chicken Shack chooses to exercise its Remodel Right upon the occurrence of a Transfer, then, after the Transfer, Daddy's Chicken Shack may exercise its Remodel Right upon the occurrence of any of the following events: (a) the expiration of every 5-year period following the Transfer; (b) a subsequent Transfer; or (c) the issuance of a renewal or successor franchise agreement. Daddy's Chicken Shack reserves the right to designate the type and scheduling of the refurbishing, remodeling and/or renovation referred to above. If Franchisee at any time deems it necessary and practical to replace any equipment or

repair or remodel the premises or take any similar action, Franchisee shall perform the replacement, repairs or remodeling in accordance with Daddy's Chicken Shack's then-current standards and specifications. The obligations imposed under this Section 5.9 supplement any obligation to maintain, restore or repair the premises imposed under any lease or sublease with respect to the Restaurant.

5.10 Equipment Upgrades. In addition to the Remodel Right, Franchisee shall make, from time to time, such upgrades, replacements, or other changes to the electronic equipment utilized in the Restaurant and the Computer System as Daddy's Chicken Shack may request in writing (and as also specified above) (collectively, "**Equipment Upgrades**"). Daddy's Chicken Shack shall have the right to require any Equipment Upgrades it deems necessary for Franchisee's Restaurant.

5.11 Standards and Specifications. To ensure that the highest degree of quality and service is maintained, Franchisee shall operate the Restaurant in strict conformity with such methods, standards, and specifications as Daddy's Chicken Shack may from time to time prescribe in the Manuals or otherwise in writing. Franchisee agrees:

5.11.1 To maintain in sufficient supply, and to use and/or sell at all times only such products, ingredients, materials, supplies, and paper goods as conform to Daddy's Chicken Shack's written standards and specifications, and to refrain from deviating therefrom by the use or offer of any non-conforming items without Daddy's Chicken Shack's specific prior written consent.

5.11.2 To sell or offer for sale only such products and services as have been expressly approved for sale in writing by Daddy's Chicken Shack; to sell or offer for sale all such products and services, utilizing the ingredients and employing the preparation standards and techniques, as specified by Daddy's Chicken Shack; to refrain from any deviation from Daddy's Chicken Shack's standards and specifications, including the manner of preparation of products and services, without Daddy's Chicken Shack's prior written consent; and to discontinue selling and offering for sale any products and services, which Daddy's Chicken Shack shall have the right to disapprove, in writing, at any time.

5.11.3 To permit Daddy's Chicken Shack or its agents, at any reasonable time, to remove samples of products and to observe and receive the delivery of services, without payment therefor, in amounts reasonably necessary for testing by Daddy's Chicken Shack or an independent laboratory to determine whether said samples and services meet Daddy's Chicken Shack's then-current standards and specifications. In addition to any other remedies it may have under this Agreement, Daddy's Chicken Shack may require Franchisee to bear the cost of such testing if the supplier of the item has not previously been approved by Daddy's Chicken Shack or if the sample or service fails to conform to Daddy's Chicken Shack's specifications.

5.11.4 To purchase and install, at Franchisee's expense, all fixtures, kitchen display systems, furnishings, equipment (including the Computer System), décor, and signs as Daddy's Chicken Shack shall specify; and to refrain from installing or permitting to be installed on or about the Restaurant premises, without Daddy's Chicken Shack's prior written consent, any fixtures, furnishings, equipment, decor, signs, or other items not previously approved as meeting Daddy's Chicken Shack's standards and specifications.

5.11.5 To refrain from installing or permitting to be installed any vending machine, game or coin operated device, unless specifically approved in writing, in advance, by Daddy's Chicken Shack.

5.11.6 To fully and faithfully comply with all applicable governing authorities, laws, and regulations. Franchisee shall immediately close the Restaurant and terminate operations in the event that: (i) any products sold at the Restaurant evidence adulteration or deviation from the standards set for products

by Daddy's Chicken Shack; (ii) any products sold at the Restaurant fail to comply with applicable laws or regulations; or (iii) Franchisee fails to maintain the products, Restaurant premises, equipment, personnel, or operation of the Restaurant in accordance with any applicable law or regulations. In the event of such closing, Franchisee shall immediately notify Daddy's Chicken Shack in writing and Franchisee shall destroy or preserve for inspection and analysis immediately in accordance with procedures set forth in the Manual, or otherwise in writing by Daddy's Chicken Shack, all products which it knows, or should know through the exercise of reasonable care, to be adulterated, tainted, contaminated, spoiled, unsafe, or otherwise unfit for human consumption and eliminate the source thereof, and remedy any unsanitary, unsafe, or other condition or other violation of the applicable law or regulation. Franchisee shall not reopen the Restaurant until after Daddy's Chicken Shack has inspected the Restaurant premises, and Daddy's Chicken Shack has determined that Franchisee has corrected the condition and that all products sold at the Restaurant comply with Daddy's Chicken Shack's standards.

5.12 Supplies and Suppliers. Franchisee shall purchase, lease, or license all equipment (including the Computer System), supplies, ingredients, products, fixtures, furnishings, décor, signs, goods, and services (including payment processing services) that are designated or prescribed in the Manuals (“**goods**” and “**services**”). Such purchase may include the purchase of software licenses and the entry into software license agreements. Franchisee shall purchase, lease, or license such goods and services solely from suppliers that Daddy's Chicken Shack has approved in writing, which may be Daddy's Chicken Shack or its affiliate. In determining whether it will approve any particular good or service or supplier, Daddy's Chicken Shack shall consider various factors, including, for goods and services, those that meet Daddy's Chicken Shack's then-current standards and specifications, and have not thereafter been disapproved, and for suppliers, suppliers who can demonstrate, to Daddy's Chicken Shack's continuing reasonable satisfaction, the ability to meet Daddy's Chicken Shack's then-current standards and specifications for such items; who possesses adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; who would enable the network of Daddy's Chicken Shack Restaurants, in Daddy's Chicken Shack's sole opinion, to take advantage of marketplace efficiencies; and who have been approved in writing by Daddy's Chicken Shack prior to any purchases by Franchisee from any such supplier, and have not thereafter been disapproved. For the purpose of this Agreement, the term “**supplier**” shall include, but not be limited to, manufacturers, distributors, resellers, and other vendors. Daddy's Chicken Shack shall have the right to appoint only one manufacturer, distributor, reseller, and/or other vendor for any particular good or service, and Daddy's Chicken Shack may designate itself or its affiliate as the only, or one of a limited number of, suppliers for any goods or services. Daddy's Chicken Shack or its affiliate(s) may earn a profit from the sale of any goods or services.

5.12.1 If Franchisee wishes to purchase any unapproved goods or services, or any goods or services from an unapproved supplier, Franchisee shall first submit to Daddy's Chicken Shack a written request for such approval. Franchisee shall not purchase any unapproved goods or services or any goods or services from any unapproved supplier unless and until such goods or services or such supplier has been approved in writing by Daddy's Chicken Shack. Daddy's Chicken Shack shall have the right to require that its representatives be permitted to inspect the unapproved goods or services, or in the case of an unapproved supplier, the supplier's facilities, and that samples of the goods be delivered, either to Daddy's Chicken Shack or to an independent laboratory designated by Daddy's Chicken Shack for testing. A charge not to exceed the reasonable cost of the inspection and the actual cost of the test shall be paid by Franchisee or the supplier. For approval of unapproved suppliers, Daddy's Chicken Shack may also require that the supplier comply with such other requirements as Daddy's Chicken Shack may deem appropriate, including payment of reasonable continuing inspection fees and administrative costs, or other payment to Daddy's Chicken Shack by the supplier on account of their dealings with Franchisee or other franchisees, for use, without restriction (unless otherwise instructed by the supplier) and for services that Daddy's Chicken Shack may render to such suppliers. Daddy's Chicken Shack reserves the right, at its option, to reinspect

from time to time the facilities and goods or services of any approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Daddy's Chicken Shack's then-current criteria.

5.12.2 Nothing in the foregoing shall be construed to require Daddy's Chicken Shack to approve any particular goods or supply or supplier, nor to require Daddy's Chicken Shack to make available to prospective suppliers, standards, and specifications, which Daddy's Chicken Shack shall have the right to deem confidential.

5.12.3 Notwithstanding anything to the contrary contained in this Agreement, Franchisee acknowledges and agrees that, at Daddy's Chicken Shack's sole option, Daddy's Chicken Shack may establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers who are willing to supply all or some Daddy's Chicken Shack Restaurants with some or all of the goods and services that Daddy's Chicken Shack requires for use and/or sale in the development and/or operation of Daddy's Chicken Shack Restaurants. In this event, Daddy's Chicken Shack may limit the number of approved suppliers with whom Franchisee may deal, designate sources that Franchisee must use for some or all goods and services, and/or refuse any of Franchisee's requests if Daddy's Chicken Shack believes that this action is in the best interests of the System or the network of Daddy's Chicken Shack Restaurants. Daddy's Chicken Shack shall have the sole option to approve or disapprove of the suppliers who may be permitted to sell goods and services to Franchisee.

5.12.4 Franchisee acknowledges and agrees that Daddy's Chicken Shack shall have the right to collect and retain all manufacturing allowances, distribution allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "**Allowances**") offered by suppliers to Franchisee or to Daddy's Chicken Shack or its affiliates based upon Franchisee's purchases of goods and services. These Allowances are based on network-wide purchases of goods and services. Franchisee assigns to Daddy's Chicken Shack or its designee all of Franchisee's right, title, and interest in and to any and all such Allowances and authorizes Daddy's Chicken Shack or its designee to collect and retain any or all such Allowances without restriction (unless otherwise instructed by the supplier); provided, however, that Daddy's Chicken Shack's current policy is to utilize such funds for purposes that Daddy's Chicken Shack believes, in its sole determination, may enhance the "Daddy's Chicken Shack" brand and/or public awareness of the brand.

5.12.5 Franchisee shall comply with all terms, conditions, and obligations of all contracts and arrangements with suppliers, including contracts and arrangements negotiated by Daddy's Chicken Shack or third parties as part of a network or multiple-franchise or multiple-Daddy's Chicken Shack Restaurant supply and distribution arrangement, and Franchisee's contracts with and obligations to suppliers. Franchisee shall promptly pay all suppliers in accordance with the agreed-upon terms. In the event Franchisee fails to promptly pay one or more suppliers as required, Daddy's Chicken Shack may, but is not required to, pay such supplier(s) on behalf of Franchisee, and Franchisee shall promptly reimburse Daddy's Chicken Shack for such payment following notice from Daddy's Chicken Shack, or Daddy's Chicken Shack may obtain payment through the EFT process described in Section 3.9 above and the Manuals.

5.13 Inspections. Franchisee grants Daddy's Chicken Shack and its agents the right to enter upon the Restaurant premises at any time for the purpose of conducting inspections, for among other purposes, preserving validity of the Proprietary Marks, and verifying Franchisee's compliance with this Agreement and the policies and procedures outlined in the Manuals. Daddy's Chicken Shack shall also have the right to take and maintain photographs and videos, in any medium, of the Restaurant and the operations at the Restaurant. Franchisee shall cooperate with Daddy's Chicken Shack's representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Daddy's Chicken Shack or its agents and without limiting Daddy's Chicken Shack's other rights under this

Agreement, Franchisee shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. Franchisee shall reimburse Daddy's Chicken Shack for all of Daddy's Chicken Shack's costs and expenses, including labor and travel expenses, incurred in conducting all such follow-up inspections after the first follow-up inspection. Franchisee shall make such payments within fifteen (15) days of receipt of an invoice from Daddy's Chicken Shack, or Daddy's Chicken Shack may elect to obtain payment through the EFT provisions of Section 3.5.

5.14 Technology and Computer System. At Daddy's Chicken Shack's request, Franchisee must purchase, lease, license, and/or subscribe to solely from suppliers that Daddy's Chicken Shack has approved in writing, which may be Daddy's Chicken Shack or its affiliate, and thereafter maintain, the Computer System, and comply with Daddy's Chicken Shack's requirements, specifications, and policies concerning the use of technology, as they may be specified in this Agreement, or specified or modified in the Manuals or otherwise in writing. Such purchase may include the purchase of software licenses and the entry into such software license agreements as Daddy's Chicken Shack may prescribe. Franchisee must pay the then-current Technology Fee in connection with any aspects of the Computer System or related technology systems, services, platforms, and software that Daddy's Chicken Shack requires Franchisee to obtain from or access through Daddy's Chicken Shack.

5.14.1 Daddy's Chicken Shack shall have the right at any time to retrieve and use such data and information from Franchisee's Computer System that Daddy's Chicken Shack deems necessary or desirable. In view of the contemplated interconnection of computer systems and the necessity that such systems be compatible with each other, Franchisee expressly agrees that it shall strictly comply with Daddy's Chicken Shack's standards and specifications for all item(s) associated with Franchisee's Computer System, and will otherwise operate its Computer System in accordance with Daddy's Chicken Shack's standards and specifications. To ensure full operational efficiency and optimum communication capability between and among equipment and computer systems installed by Franchisee, Daddy's Chicken Shack, and other franchisees, Franchisee agrees, at its expense, that Franchisee shall keep its Computer System in good maintenance and repair, and, at its expense, and following the determination that Daddy's Chicken Shack shall have the right to make, to the effect that same will prove economically or otherwise beneficial to all System franchisees, that Franchisee shall promptly install such additions, changes, modifications, substitutions, and/or replacement to Franchisee's computer hardware, software, telephone and power lines, and other related facilities, as Daddy's Chicken Shack directs periodically in writing. Franchisee shall provide to Daddy's Chicken Shack, upon Daddy's Chicken Shack's request, all e-mail lists and customer lists used or maintained by Franchisee on the Computer System or elsewhere.

5.14.2 Daddy's Chicken Shack has the right, but not the obligation, to develop or have developed for it, or to designate, any or all of the following: (a) computer software programs and accounting system software that Franchisee must use in connection with the Computer System ("**Required Software**"), which Franchisee must install; (b) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee must install; (c) the tangible media upon which such Franchisee must record or receive data; (d) the database file structure of Franchisee's Computer System; (e) an Extranet for informational assistance, which may include the Manuals, training other assistance materials, and management reporting solutions; and (f) answering service requirements and/or system-wide phone order processing of all delivery orders, and/or to designate vendors that will provide such order processing.

5.14.3 Franchisee agrees to install and use the Computer System and Required Software in the manner that Daddy's Chicken Shack requires and to use only the Computer System and Required Software that Daddy's Chicken Shack designates.



5.14.4 Franchisee agrees to implement and periodically upgrade and make other changes to the Computer System and Required Software as Daddy’s Chicken Shack may reasonably request in writing (collectively, “**Computer Upgrades**”), at Franchisee’s own expense.

5.14.5 Franchisee agrees to comply with Daddy’s Chicken Shack’s written specifications (whether in the Manuals or otherwise) with respect to the Computer System and the Required Software, and with respect to Computer Upgrades, at Franchisee’s own expense.

5.14.6 Franchisee agrees to afford Daddy’s Chicken Shack unimpeded access to its Computer System and Required Software in the manner, form, and at the times that Daddy’s Chicken Shack requests.

5.14.7 Because changes to technology are dynamic and not predictable during the term of this Agreement, and in order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees: (a) that Daddy’s Chicken Shack has the right to establish, in writing, reasonable new standards to address new technologies, whether published in the Manuals or otherwise in writing, and that Daddy’s Chicken Shack has the right to implement those changes in technology into the System; and (b) to abide by Daddy’s Chicken Shack’s reasonable new standards as if this Section 5.14, and other technology provisions in this Agreement, were periodically revised for that purpose.

5.15 Customer Data. Franchisee may collect information from customers and potential customers in connection with the operation of the Restaurant, including personally-identifiable names and addresses, payment information and other information (“**Customer Data**”). All data provided by Franchisee in any form, and whether required by this Section 5.15 or any other requirement under the System or in the Manuals, including data uploaded to Franchisee’s Computer System, and/or downloaded from Franchisee’s Computer System to Daddy’s Chicken Shack’s computer system, is and will be owned exclusively by Daddy’s Chicken Shack, including without limitation, Customer Data, customer lists, and e-mail lists, and Daddy’s Chicken Shack will have the right to use such data in any manner that Daddy’s Chicken Shack deems appropriate without compensation to Franchisee. In addition, all other data created or collected by Franchisee in connection with the System, or in connection with Franchisee’s operation of the Restaurant (including but not limited to consumer and transaction data), is and will be owned exclusively by Daddy’s Chicken Shack during the term of, and following termination or expiration of, this Agreement. Copies and/or originals of such data must be provided to Daddy’s Chicken Shack upon its request. Daddy’s Chicken Shack hereby licenses use of such data back to Franchisee, at no additional cost, solely for the term of this Agreement and solely for Franchisee’s use in connection with the Restaurant. Franchisee shall not sell, share, or otherwise disseminate such data without Daddy’s Chicken Shack’s prior written consent. Daddy’s Chicken Shack may use all such information, data, and reports in any manner, including, without limitation, providing financial and operating reports to franchisees and operators operating under the System, preparing franchise disclosure documents, and providing information to prospective franchisees, and/or in complying with government regulations. Franchisee must secure from its vendors, customers, prospective customers, and others all consents and authorizations, and provide them all disclosures, that applicable law (including any Applicable Data Protection Laws) requires to transmit the Customer Data to Daddy’s Chicken Shack and its affiliates and for Daddy’s Chicken Shack and its affiliates to use that Customer Data in the manner that this Agreement contemplates.

5.16 Data Protection Obligations. For purposes of this Section 5.16, “**Personal Information**” means information that identifies, relates to, or could reasonably be linked to individuals, including but not limited to, Franchisee’s customers, employees, independent contractors, and business contacts, and/or otherwise including particular elements of “personal information” as defined under Cal. Civ. Code § 1798.140.

5.16.1 Franchisee acknowledges and agrees that it will collect, process, and otherwise use Personal Information, and transfer Personal Information to Daddy’s Chicken Shack, in compliance with all applicable laws, rules, and regulations applicable to privacy and security of Personal Information, including, but not limited to, the California Consumer Privacy Act of 2018, as amended by the California Privacy Rights Act (“**Applicable Data Protection Laws**”). Franchisee agrees to hold Daddy’s Chicken Shack and its affiliates harmless of any liability and losses and expenses incurred, suffered or sustained by Daddy’s Chicken Shack and its affiliates, shareholders, officers, directors, employees and agents, as a result of Franchisee’s non-compliance with Applicable Data Protection Laws.

5.16.2 Franchisee agrees to comply with Daddy’s Chicken Shack’s standards and policies pertaining to Applicable Data Protection Laws. If there is a conflict between Daddy’s Chicken Shack’s standards and policies pertaining to Applicable Data Protection Laws and actual applicable law, Franchisee shall: (i) comply with the requirements of applicable law; (ii) immediately give Daddy’s Chicken Shack written notice of said conflict; and (iii) promptly and fully cooperate with Daddy’s Chicken Shack and its counsel in determining the most effective way, if possible, to meet its standards and policies pertaining to Applicable Data Protection Laws within the bounds of applicable law. Franchisee agrees not to publish, disseminate, implement, revise, or rescind a data privacy policy without Daddy’s Chicken Shack’s prior written consent as to said policy.

5.16.3 With regard to Personal Information that Franchisee may collect, receive, or otherwise process as a result of any agreements between Franchisee and Daddy’s Chicken Shack (or its subsidiaries or affiliates), including this Agreement, Franchisee agrees and certifies that it will:

5.16.3.1 Process Personal Information only for the limited and specified purposes of providing services requested by Daddy’s Chicken Shack.

5.16.3.2 Assist Daddy’s Chicken Shack with the resolution of any request or inquiries that Daddy’s Chicken Shack receives from individuals and/or data protection regulators relating to Franchisee’s processing of Personal Information and, if and to the extent requested by Daddy’s Chicken Shack, cooperate with any regulators’ requests.

5.16.3.3 Implement and maintain reasonable and appropriate physical, technical, and administrative safeguards, procedures, and practices to protect and maintain the confidentiality, security, accuracy, integrity, availability, and authenticity of Personal Information.

5.16.3.4 Notify Daddy’s Chicken Shack, and provide Daddy’s Chicken Shack with the ability to object, before transmitting Personal Information to a service provider, sub-processor, subcontractor, or other vendor.

5.16.3.5 Require any service provider, sub-processor, subcontractor, or other vendor that receives Personal Information to agree to provisions materially similar to those found within this Section 5.16.

5.16.3.6 Notify Daddy’s Chicken Shack if it believes that it can no longer meet the obligations of this Section 5.16.

5.16.3.7 Allow and contribute to reasonable audits by Daddy’s Chicken Shack, including inspections by the Daddy’s Chicken Shack or its auditor, to verify Franchisee’s compliance with data processing and security obligations and Applicable Data Protection Laws.

5.16.4 For purposes of this Section 5.16, “**Security Incident**” means any actual or reasonably suspected unauthorized disclosure, release, access, or acquisition of Personal Information. In the event of any Security Incident, Franchisee shall notify Daddy’s Chicken Shack immediately but no later than forty-eight (48) hours after Franchisee or any of its vendors become aware of a Security Incident. Such notifications shall include, at a minimum, the following information to the extent known by Franchisee and as it becomes available: (i) detailed description of the Security Incident, (ii) the date or estimated date of the Security Incident, (iii) the date range of the Security Incident within which the Security Incident occurred, (iv) the type of Personal Information that was the subject of the Security Incident, whether the notification was delayed as a result of a law enforcement investigation, and (v) the identity of each impacted individual. Franchisee shall take immediate action to investigate the Security Incident and shall use industry standard, reasonable efforts to mitigate the effects of any such Security Incident. Franchisee shall also provide Daddy’s Chicken Shack with reasonable assistance to satisfy any legal obligations (including obligations to notify impacted individuals and any data protection regulator) of Daddy’s Chicken Shack in relation to such Security Incident.

5.16.5 To the extent Franchisee’s activities require a restricted transfer (as such term is defined under Applicable Data Protection Laws) of Personal Information to Daddy’s Chicken Shack, such restricted transfer shall be undertaken pursuant to a legal mechanism for transfer as approved under Applicable Data Protection Laws (which legal mechanism may include, without limitation, the entry into standard contract clauses for restricted transfers).

5.16.6 Franchisee further agrees and certifies that it will not:

5.16.6.1 Sell, rent, release, disclose, disseminate, make available, transfer, or otherwise communicate orally, in writing, or by electronic or other means, Personal Information to another business or a third party for monetary or other valuable consideration.

5.16.6.2 Retain, use, disclose, collect, sell, or otherwise process Personal Information for any purpose other than for the specific purpose of, and as necessary for, performing services for Daddy’s Chicken Shack pursuant to a written agreement(s). For clarity, Franchisee may not retain, use, or disclose the Personal Information for any other commercial purposes or outside of the direct business relationship between Franchisee and Daddy’s Chicken Shack.

5.16.6.3 Combine the Personal Information that it receives from Daddy’s Chicken Shack with the Personal Information that it receives from another company or business (or that it collects from its own interaction with individuals), except if expressly permitted to do so by Daddy’s Chicken Shack or required to do so by law.

5.16.6.4 Share, rent, release, disclose, disseminate, make available, transfer, or otherwise communicate orally, in writing, or by electronic or other means, Personal Information for the purpose of cross-context behavioral advertising.

5.16.7 This Section 5.16 will survive expiration or termination of this Agreement and any other agreement(s) that may exist between Franchisee and Daddy’s Chicken Shack (or its subsidiaries or affiliates). Existing terms in such agreement(s) remain in effect except that this Section 5.16 controls in the event of a conflict with such terms. In the event of a breach of this Section 5.16, Daddy’s Chicken Shack may take reasonable and appropriate steps to stop and remediate the unauthorized use by Franchisee of Personal Information. Franchisee will make available to Daddy’s Chicken Shack all information requested by Daddy’s Chicken Shack to demonstrate Franchisee’s compliance with the obligations set out in this Section 5.16.

5.17 Website and Internet Advertising. Daddy's Chicken Shack shall have the right to establish and maintain an Internet website that provides information about the System, brand, and the products and services that Daddy's Chicken Shack Restaurants offer. Daddy's Chicken Shack will have sole control over the website's design and contents and may modify the content of and/or discontinue the website at any time. Daddy's Chicken Shack may use part of the Brand Development Fund Contributions it collects and part of the Brand Development Fund's revenues to pay or reimburse itself for the costs of maintaining and updating the website, except that Daddy's Chicken Shack may not use Brand Development Fund Contributions to pay for those components of the website that are devoted to the sale of franchises for new Daddy's Chicken Shack Restaurants. The website may include a section that provides the address, telephone number, and e-mail address of each Daddy's Chicken Shack Restaurant in the System, including the Restaurant; provided, the Restaurant may be referenced on the website only while Franchisee is in full compliance with this Agreement. In addition, Daddy's Chicken Shack's approved supplier may establish an individual webpage identifying the Restaurant's location and services. Daddy's Chicken Shack must approve all content on the individual webpage. Daddy's Chicken Shack will own the website (including any webpages for the Restaurant) and domain name at all times. Franchisee will not have any independent right to advertise the Restaurant on the Internet or in any form of social media, without Daddy's Chicken Shack's prior written consent. If Franchisee desires to advertise online, Franchisee must follow Daddy's Chicken Shack's online policy, which is contained in the Manuals. Franchisee will not be permitted to operate a separate website or social media page (including without limitation Facebook, Instagram, Snapchat, or TikTok) without Daddy's Chicken Shack's prior written approval and without sharing the administrative rights with Daddy's Chicken Shack. Franchisee must provide administrator passwords and privileges to Daddy's Chicken Shack, and shall not change or update either the administrator or password without first notifying Daddy's Chicken Shack in writing. Daddy's Chicken Shack is required to reference the Restaurant on the website only while Franchisee is in full compliance with this Agreement. (The term "**website**" as used in this Agreement means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including the Internet, World Wide Web, social networking sites (including Facebook, X (formerly known as Twitter), LinkedIn, Instagram, YouTube, etc.), blogs, vlogs, and other applications, etc.).

5.18 POS or Cash Register Systems. Franchisee agrees to record all sales on computer-based point-of-sale systems or such other types of cash register systems that Daddy's Chicken Shack has the right to designate or approve in the Manual or otherwise in writing ("**POS System**"). The POS System is deemed to be part of Franchisee's Computer System. Franchisee must utilize computer-based point-of-sale devices that are fully compatible with any program or system that Daddy's Chicken Shack has the right to designate, and Franchisee must record all Gross Sales and all revenue information on such equipment.

5.19 Gift Cards/Stored Value Cards. Daddy's Chicken Shack shall have the right to require Franchisee to participate in such gift card/stored value card program(s) that Daddy's Chicken Shack specifies. For this purpose, Franchisee must purchase the software, hardware, blank cards, and other items needed to sell and process gift cards or stored value cards, which Daddy's Chicken Shack may specify in the Manuals or otherwise in writing. Franchisee also agrees to pay such monthly and per-swipe transaction fees as may be required by the vendor of the gift card system. Franchisee must sell or honor gift/stored value cards only in accordance with Daddy's Chicken Shack's written standards. Franchisee must account for all gift/stored value card sales, gift/stored value card redemptions, and other gift/stored value card transactions in the manner Daddy's Chicken Shack specifies in the Manuals. Franchisee must maintain sufficient cash reserves to pay Daddy's Chicken Shack or other franchisees as part of any network-wide periodic reconciliation of the gift/stored value card program(s). Franchisee shall pay Daddy's Chicken Shack or make payments as specified by Daddy's Chicken Shack, in such amounts and at such times as directed by Daddy's Chicken Shack, in accordance with Daddy's Chicken Shack's gift/stored value card rules, programs, and policies. Franchisee agrees not to sell, issue, or redeem gift certificates other than gift/stored value cards that Daddy's Chicken Shack has approved in writing.

5.20 E-Mail, Internet, and Other Media. Franchisee must comply with Daddy's Chicken Shack's requirements and policies (as described in the Manuals or otherwise in writing) with respect to the transmission of all e-mails and other electronic communications in connection with the Restaurant and the business, and in connection with discussing, advertising, or disseminating any information, or otherwise having a presence, on the Internet, or in any other media, regarding the Restaurant and the business. Such activities include participation in any Internet "blogs" or social networking sites. Any such activities which are not expressly permitted in the Manuals or otherwise in writing, or for which Franchisee has not previously received approval from Daddy's Chicken Shack, shall be subject to Daddy's Chicken Shack's approval as described in Section 6 below.

5.20.1 Franchisee agrees that exchanging information with Daddy's Chicken Shack by e-mail and fax is an important way to enable quick, effective, and efficient communication, and that Daddy's Chicken Shack and Franchisee are entitled to rely upon each other's use of e-mail and faxes for communicating as part of the economic bargain underlying this Agreement. To facilitate the use of e-mail and fax to exchange information, Franchisee authorizes the transmission of e-mail by Daddy's Chicken Shack and Daddy's Chicken Shack's employees, vendors, and affiliates (on matters pertaining to the business contemplated hereunder) (together, "**Official Senders**") to Franchisee and Franchisee's employees during the term of this Agreement. Daddy's Chicken Shack's list of Official Senders shall be the master and official list of Official Senders.

5.20.2 Franchisee shall not transmit or cause any other party to transmit advertisements or solicitations by telephone, text, e-mail, or other electronic media without Daddy's Chicken Shack's prior written consent as to: (a) the content of such advertisements or solicitations; and (b) Franchisee's plan for transmitting such advertisements or solicitations. Daddy's Chicken Shack's review of Franchisee's advertisements or solicitations, or of Franchisee's plan for transmitting such advertisements or solicitations, is only for Daddy's Chicken Shack's benefit and Daddy's Chicken Shack's review will pertain to whether the proposed advertisements or solicitations comply with Daddy's Chicken Shack's specifications. Franchisee agrees that it will be solely responsible for complying with any laws pertaining to sending such advertisements and solicitations, including the Controlling the Assault of Non-Solicited Pornography and Proprietary Marketing Act of 2003 (known as the "**CAN-SPAM Act of 2003**") and the Telephone Consumer Protection Act of 1991.

5.20.3 Franchisee agrees that: (a) Official Senders are authorized to send e-mails and faxes to Franchisee and its employees; (b) Franchisee will cause its officers, directors, and employees (as a condition of their employment or position with Franchisee) to give their consent (in an e-mail, electronically, or in a pen-and-paper writing, as Daddy's Chicken Shack may reasonably require) to Official Senders' transmission of e-mails and faxes to those persons, and that such persons shall not opt-out, or otherwise ask to no longer receive e-mails, from Official Senders during the time that such person works for or is affiliated with Franchisee; and (c) Franchisee will not opt-out, or otherwise ask to no longer receive e-mails and/or faxes, from Official Senders during the term of this Agreement.

5.20.4 The consent given above in this Section 5.20 will not apply to the provision of formal notices under this Agreement by either party using e-mail unless and until the parties have otherwise agreed, in a pen-and-paper writing that both parties have signed.

5.21 Credit Cards and Other Methods of Payment. At all times, Franchisee must maintain credit-card relationships with the credit- and debit-card issuers or sponsors, check, or credit verification services, financial-center services, and electronic-funds-transfer systems that Daddy's Chicken Shack designates as mandatory, and Franchisee must not use any such services or providers that Daddy's Chicken Shack has not approved in writing or for which Daddy's Chicken Shack has revoked its approval. Daddy's Chicken Shack has the right to modify its requirements and designate additional approved or required

methods of payment and vendors for processing such payments, and to revoke its approval of any service provider. Franchisee must comply with all credit-card policies as prescribed in the Manuals. Franchisee must comply with the Payment Card Industry Data Security Standards (“**PCI DSS**”) as they may be revised and modified by the Payment Card Industry Security Standards Council (*see [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org)*), or such successor or replacement organization and/or in accordance with other standards as Daddy’s Chicken Shack may specify, and the Fair and Accurate Credit Transactions Act (“**FACTA**”). Franchisee shall also upgrade periodically its POS System and related software, at Franchisee’s expense, to maintain compliance with PCI DSS, FACTA, and all related laws and regulations.

5.22 Uniforms. To promote a uniform System image, Franchisee shall require all of its Restaurant personnel to dress during business hours in the attire specified in the Manuals. Franchisee shall purchase such attire only from approved suppliers.

5.23 Incentive Programs. Franchisee shall offer for sale, and will honor for purchases by customers, or otherwise fully participate in, any incentive, convenience, or customer loyalty programs that Daddy’s Chicken Shack may institute from time to time, and Franchisee shall do so in compliance with Daddy’s Chicken Shack’s standards and procedures for such programs.

5.24 Prices. With respect to the sale of all Menu Items, products, or services, Franchisee shall have sole discretion as to the prices to be charged to customers; provided, however, that Daddy’s Chicken Shack may establish, advertise, and promote minimum or maximum prices on such Menu Items, products, and services, subject to compliance with applicable laws. If Daddy’s Chicken Shack has imposed such a minimum or maximum price on a particular Menu Item, product, or service, and subject to applicable law, Franchisee may not charge a price for such Menu Item, product, or service below the minimum price or in excess of the maximum price set by Daddy’s Chicken Shack.

5.25 Compliance With Laws and Good Business Practices. Franchisee shall operate the Restaurant in full compliance, subject to its right to contest, with all applicable laws, ordinances, and regulations, including all government regulations relating to handling of food products, occupational hazards and health, workers’ compensation insurance, unemployment insurance and withholding and payment of federal and state income taxes, social security taxes, and sales taxes. All advertising and promotion by Franchisee shall be factually accurate and conform to the highest standards of ethical advertising. Franchisee shall in all dealings with its customers, suppliers, and the public adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct, and shall comply with all consumer protection and unfair competition laws and regulations. Franchisee shall refrain from any business or advertising practice which may be injurious to the business of Daddy’s Chicken Shack and the goodwill associated with the Proprietary Marks and other Restaurants.

5.26 Franchisee Structure; Operating Principal and Owners.

5.26.1 Except as otherwise approved in writing by Daddy’s Chicken Shack, if Franchisee is a corporation, it shall: (i) be newly organized, and confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to operating the Restaurant; (ii) furnish Daddy’s Chicken Shack with a copy of its articles or certificates of incorporation and bylaws, as well as such other documents as Daddy’s Chicken Shack may reasonably request, and any amendment thereto; (iii) maintain stop transfer instructions on its records against the transfer of any equity securities and shall only issue securities upon the face of which a legend, in a form satisfactory to Daddy’s Chicken Shack, appears which references the transfer restrictions imposed by this Agreement; (iv) not issue any voting securities or securities convertible into voting securities; and (v) maintain a current list of all owners of record and all beneficial owners of any class of voting stock of Franchisee and furnish the list to Daddy’s

Chicken Shack upon request, which list shall be amended to reflect changes in ownership, as permitted under this Agreement.

5.26.2 If Franchisee is a partnership or limited liability partnership it shall: (i) be newly organized, and confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to operating the Restaurant; (ii) furnish Daddy's Chicken Shack with its partnership agreement as well as such other documents as Daddy's Chicken Shack may reasonably request, and any amendments thereto; (iii) prepare and furnish to Daddy's Chicken Shack, upon request, a current list of all general and limited partners in Franchisee, which list shall be amended to reflect changes in ownership, as permitted under this Agreement; and (iv) maintain stop transfer instructions on its records and in its partnership agreement against the transfer of partnership interests and equity securities, and shall only issue securities or partnership interests with documentation which bears a notice or legend, in a form satisfactory to Daddy's Chicken Shack, which references the transfer restrictions imposed by this Agreement.

5.26.3 If a Franchisee is a limited liability company, Franchisee shall: (i) be newly organized, and confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to operating the Restaurant; (ii) furnish Daddy's Chicken Shack with a copy of its articles of organization and operating agreement, as well as such other documents as Daddy's Chicken Shack may reasonably request, and any amendments thereto; (iii) prepare and furnish to Daddy's Chicken Shack, upon request, a current list of all members and managers in Franchisee, which list shall be amended to reflect changes in ownership, as permitted under this Agreement; and (iv) maintain stop transfer instructions on its records against the transfer of equity securities and shall only issue securities upon the face of which bear a legend, in a form satisfactory to Daddy's Chicken Shack, which references the transfer restrictions imposed by this Agreement.

5.26.4 Franchisee shall designate, subject to the review and approval or disapproval by Daddy's Chicken Shack, individuals to serve in the following positions:

5.26.4.1 Operating Principal. An Operating Principal shall participate personally in the direct operation of the Restaurant. If Franchisee is an individual and meets the required qualifications, Franchisee may serve as the Operating Principal for the Restaurant. Franchisee shall notify Daddy's Chicken Shack promptly if the individual serving as the Operating Principal for the Restaurant no longer serves as an employee of Franchisee or no longer meets the requirements of being an Operating Principal for the Restaurant. "**Operating Principal**" shall mean an individual who (1) has at least five (5) years of management experience in the operation of a quick service restaurant (or, if Franchisee or Franchisee's affiliate operates at least one Daddy's Chicken Shack Restaurant as of the Effective Date, the Operating Principal of the Restaurant must have at least two (2) years of management experience in the operation of a quick service restaurant), (2) has completed Daddy's Chicken Shack's required training program, (3) Daddy's Chicken Shack has approved to supervise the day-to-day operations of the Restaurant, (4) owns at least five percent (5%) of the equity interest in Franchisee if Franchisee is a business entity, and (5) lives no more than a two (2) hour drive from the Restaurant.

5.26.4.2 Owners: An "**owner**" is any person that has any direct or indirect interest in Franchisee, or in any entity that has any direct or indirect ownership interest in Franchisee. All owners along with their ownership interests, shall be identified in **Exhibit D** hereto, and any change in ownership, whether subject to Section 12.3 or not, shall be provided to Daddy's Chicken Shack, in advance and in writing, and **Exhibit D** shall be amended to reflect all changes in ownership.

5.26.4.3 General Manager: Franchisee shall designate a Restaurant general manager, subject to approval by Daddy’s Chicken Shack, and satisfactory completion of Daddy’s Chicken Shack’s training programs, who shall be responsible for the direct oversight and management of the day-to-day operations and personnel at the Restaurant (the “**General Manager**”). Franchisee at all times shall maintain at least one certified General Manager in the Restaurant trained and certified by Daddy’s Chicken Shack for the Restaurant. If the General Manager’s position becomes vacant, Franchisee shall fill the vacancy within 60 days with a fully-trained and certified general manager. The General Manager and the Operating Principal may be the same person, if he/she is qualified to perform both roles and duties, and is approved by Daddy’s Chicken Shack.

5.27 Personal Guarantee, Indemnification, and Acknowledgement. Concurrent with its execution of this Agreement, if Franchisee is a business entity, each owner shall execute the Guarantee, Indemnification and Acknowledgement in the form attached to this Agreement as **Exhibit E**; provided, however, that no guarantee shall be required from a person who acquires Franchisee’s securities (other than a controlling interest) if and after Franchisee becomes registered under the Securities Exchange Act of 1934. In addition, Daddy’s Chicken Shack may require that the spouse (or domestic partner or other immediate family member) of an owner sign the Guarantee, Indemnification, and Acknowledgment.

5.28 System Modifications. Franchisee acknowledges and agrees that from time to time hereafter Daddy’s Chicken Shack may change or modify the System as Daddy’s Chicken Shack deems appropriate, including to reflect the changing market and/or to meet new and changing customer demands, and that variations and additions to the System may be required from time to time to preserve and enhance the public image of the System and operations of Daddy’s Chicken Shack Restaurants. Daddy’s Chicken Shack’s changes to the System may include the adoption and use of new or modified products, services, equipment, and furnishings, and new techniques and methodologies relating to the preparation, sale, promotion, and marketing of food and beverage products and services, and new trademarks, service marks, and copyrighted materials. Notwithstanding the provisions and limitations of Section 5.9, Franchisee shall, upon reasonable notice, accept, implement, use, and display in the operation of the Restaurant any such changes in the System, as if they were part of this Agreement at the time of execution hereof, at Franchisee’s sole expense. Additionally, Daddy’s Chicken Shack reserves the right, in its sole discretion, to vary the standards throughout the System, as well as the services and assistance that Daddy’s Chicken Shack may provide to some franchisees based upon the peculiarities of a particular circumstance, existing business practices, or other factors that Daddy’s Chicken Shack deems to be important to the operation of any Daddy’s Chicken Shack Restaurant or the System. Franchisee shall not be entitled to require Daddy’s Chicken Shack to provide Franchisee with a like or similar variation hereunder.

5.29 No Third-Party Management. The Restaurant shall be operated under the control and supervision of Franchisee, its Operating Principal, the General Manager, or another general manager hired by and employed by Franchisee and approved by Daddy’s Chicken Shack. Franchisee shall not hire or retain a management company, manager (other than an employee manager trained and approved by Daddy’s Chicken Shack), or third party to undertake any of the management or operational functions of the Restaurant.

## 6. ADVERTISING AND MARKETING

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



6.1 Grand Opening Program. In addition to and not in lieu of the Brand Development Fund Contribution and any expenditures for local advertising and promotion, Franchisee shall spend a minimum of Ten Thousand Dollars (\$10,000) for grand opening advertising and promotional programs in conjunction with the Restaurant's initial grand opening, pursuant to a grand opening marketing plan which Daddy's Chicken Shack and Franchisee will collaborate and agree upon (the "**Grand Opening Program**"). Daddy's Chicken Shack reserves the right to require that Franchisee pay to Daddy's Chicken Shack the required and agreed upon Grand Opening Program amount ("**Grand Opening Program Amount**") at a time that is sufficiently in advance of the scheduled opening to implement the Grand Opening Program. If Daddy's Chicken Shack requires that Franchisee pay the Grand Opening Program Amount to Daddy's Chicken Shack, Daddy's Chicken Shack will use the Grand Opening Program Amount to develop and implement the Grand Opening Program for Franchisee's Restaurant. The Grand Opening Program may commence prior to opening the Restaurant and shall be completed within sixty (60) days after the Restaurant commences operation. If Daddy's Chicken Shack spends additional amounts on advertising as part of the Grand Opening Program, in amounts that Daddy's Chicken Shack and Franchisee agree are part of the Grand Opening Program, Franchisee must reimburse Daddy's Chicken Shack for the additional costs within fifteen (15) days after the receipt of notice from Daddy's Chicken Shack. Franchisee may spend such additional sums as Franchisee deems necessary or appropriate in connection with the opening of the Restaurant. Franchisee shall submit to Daddy's Chicken Shack, for Daddy's Chicken Shack's prior written approval, a Grand Opening Program marketing plan and samples of all advertising and promotional material not prepared or previously approved by Daddy's Chicken Shack.

6.2 Brand Development Fund Expenditure. Daddy's Chicken Shack shall have the right to establish the Brand Development Fund and/or a Local Marketing Cooperative, as described in this Section 6.

6.2.1 Brand Development Fund. Commencing once Daddy's Chicken Shack has established a Brand Development Fund and continuing for each calendar month thereafter during the term of this Agreement, Franchisee shall pay to Daddy's Chicken Shack an amount equal to one percent (1%) of the preceding month's Gross Sales (the "**Brand Development Fund Contribution**"). For all Daddy's Chicken Shack Restaurants owned by Daddy's Chicken Shack, Daddy's Chicken Shack shall contribute to the Brand Development Fund on the same basis as franchisees. Daddy's Chicken Shack shall have the right to increase the Brand Development Fund Contribution by not more than one percent (1%) of Gross Sales per year. During the term of this Agreement, the Brand Development Fund Contribution shall not exceed five percent (5%) of Gross Sales. The Brand Development Fund shall be maintained and administered by Daddy's Chicken Shack or its designee, as follows:

6.2.1.1 Daddy's Chicken Shack or its designee shall have the right to direct all advertising programs, as well as all aspects thereof, including the concepts, materials, and media used in such programs and the placement and allocation thereof. The Brand Development Fund is intended to maximize general public recognition, acceptance, perception of, and use of the System; and Daddy's Chicken Shack and its designee are not obligated, in administering the Brand Development Fund, to make expenditures for Franchisee which are equivalent or proportionate to its contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Brand Development Fund.

6.2.1.2 Daddy's Chicken Shack may use the Brand Development Fund Contribution for any and all costs of maintaining, administering, directing, conducting, creating, and/or otherwise preparing advertising, marketing, public relations, and/or promotional programs and materials, and any other activities which Daddy's Chicken Shack believes will enhance the image of the System, including the costs of preparing and/or conducting: media advertising campaigns; social media campaigns; direct mail advertising; marketing surveys and other public

relations activities; employing advertising and/or public relations agencies to assist therein; brand research and development; developing and hosting marketing, brand development and enhancement, and customer engagement seminars for franchisees; purchasing promotional items; creating menu boards; developing new or modified trade dress and marks; point-of-purchase (POP) materials; design and photographs; conducting and administering visual merchandising, and other merchandising programs; purchasing media space or time (including all associated fees and expenses); administering regional and multi-regional marketing and advertising programs; market research and customer satisfaction surveys; developing and implementing customer loyalty and gift card programs; customer retention programs; the creative development of, and actual production associated with, premium items, giveaways, promotions, contests, public relation events, and charitable or non-profit events; developing, implementing, and maintaining an electronic commerce website and/or related strategies; maintaining and developing one or more websites devoted to the System and/or the “Daddy’s Chicken Shack” brand; providing promotional and other marketing materials and services to the Daddy’s Chicken Shack restaurants operated under the System; the salaries of Daddy’s Chicken Shack’s employees to the extent such employees provide services in conjunction with the System marketing activities; and all administrative and internal costs and expenses incurred in connection with the above. Daddy’s Chicken Shack or its designee shall have the right to direct all advertising programs, as well as all aspects thereof, including the concepts, materials, and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that Daddy’s Chicken Shack’s expenditures from the Brand Development Fund are intended to maximize general public recognition, acceptance, perception of, and use of the System; and that Daddy’s Chicken Shack and its designee are not obligated, in administering the Brand Development Fund, to make expenditures for Franchisee which are equivalent or proportionate to Franchisee’s contribution, or to ensure that any particular franchisee benefits directly or pro rata from such expenditures.

6.3 Local Advertising and Promotion. Commencing on the Effective Date, Franchisee must spend at least two percent (2%) of Gross Sales per month or Two Thousand Dollars (\$2,000) per month, whichever is greater, on Local Advertising and Promotion (defined below in Section 6.4) within the Designated Area. All local advertising and promotion by Franchisee shall be in such media, and of such type and format as Daddy’s Chicken Shack may approve; shall be conducted in a dignified manner; shall conform to such standards and requirements as Daddy’s Chicken Shack may specify; and shall comply with all applicable laws. Franchisee shall not use any advertising or promotional plans or materials unless and until Franchisee has received written approval from Daddy’s Chicken Shack, pursuant to the procedures and terms set forth in Section 6.6 below. Franchisee shall comply with all of Daddy’s Chicken Shack’s written instructions, policies, procedures, and restrictions regarding advertising and marketing within the Designated Area, outside of the Designated Area, and in areas that may be territories assigned to other Daddy’s Chicken Shack Restaurants or franchisees (including, without limitation, rules regarding honoring of gift certificates, stored value cards, and promotions).

6.4 Costs of Local Advertising and Promotion. As used in this Agreement, the term “**Local Advertising and Promotion**” shall consist only of the direct costs of purchasing and producing advertising materials (including, but not limited to, camera ready advertising and point-of-sale materials), media (space or time), and those direct out-of-pocket expenses related to costs of advertising and sales promotion spent by Franchisee in the Designated Area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying; however, the parties expressly agree that advertising and sales promotion shall not include costs or expenses incurred by or on behalf of Franchisee in connection with any of the following:

6.4.1 Salaries and expenses of any employees of Franchisee, including salaries or expenses for attendance at advertising meetings or activities, or incentives provided or offered to such employees, including discount coupons;

6.4.2 Charitable, political, or other contributions or donations, whether in cash, food, or services;

6.4.3 The value of discounts provided to customers; and

6.4.4 The cost of food items.

6.5 **Local Marketing Cooperative.** Daddy's Chicken Shack shall have the right to designate any geographical area for the purpose of establishing a market brand development and promotional cooperative fund ("**Local Marketing Cooperative**"). If a Local Marketing Cooperative for the geographic area in which the Restaurant is located has been established at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of such Local Marketing Cooperative, unless otherwise permitted by Daddy's Chicken Shack. If a Local Marketing Cooperative for the geographic area in which the Restaurant is located is established during the term of this Agreement, Franchisee shall become a member of such Local Marketing Cooperative within thirty (30) days after the date on which the Local Marketing Cooperative commences operation, unless otherwise permitted by Daddy's Chicken Shack. In no event shall Franchisee be required to be a member of more than one (1) Local Marketing Cooperative relating to the Restaurant. Franchisee shall contribute to the Local Marketing Cooperative of which Franchisee is a member an amount each calendar month during the term of this Agreement that is determined by Daddy's Chicken Shack, which shall not be more than three percent (3%) of the preceding month's Gross Sales (the "**Local Marketing Cooperative Fee**"); provided that any amount paid by Franchisee toward the Local Marketing Cooperative Fee will be credited towards Franchisee's obligation to spend the Local Advertising Amount (as described in Section 6.3) up to a maximum of two percent (2%) of Gross Sales. If a Local Marketing Cooperative for the geographic area in which a Daddy's Chicken Shack Restaurant owned or operated by Daddy's Chicken Shack or its affiliate is located is established, Daddy's Chicken Shack or such affiliate will contribute to the Local Marketing Cooperative on the same basis as franchisees. The following provisions shall apply to each such Local Marketing Cooperative:

6.5.1 Each Local Marketing Cooperative shall be organized (including bylaws and other formation documents) and governed in a form and manner, and shall commence operations on a date, approved in advance by Daddy's Chicken Shack in writing. Unless otherwise specified by Daddy's Chicken Shack, the activities carried on by each Local Marketing Cooperative shall be decided by a majority vote of its members. Any Daddy's Chicken Shack Restaurants that Daddy's Chicken Shack or its affiliate operates in the region shall have the same voting rights as those owned by franchisees. Each Daddy's Chicken Shack Restaurant owner shall be entitled to cast one (1) vote for each Daddy's Chicken Shack Restaurant owned.

6.5.2 Each Local Marketing Cooperative shall be organized for the exclusive purpose of administering regional advertising programs and developing, subject to Daddy's Chicken Shack's approval, standardized promotional materials for use by the members in local advertising.

6.5.3 No advertising or promotional plans or materials may be used by a Local Marketing Cooperative or furnished to its members without Daddy's Chicken Shack's prior approval, pursuant to the procedures and terms as set forth in this Agreement.

6.5.4 Franchisee shall submit Franchisee's required contribution to the Local Marketing Cooperative at the time required under Section 3.5 above, together with such statements or reports as may be required by Daddy's Chicken Shack or by the Local Marketing Cooperative with Daddy's Chicken Shack's prior written approval. If so requested by Daddy's Chicken Shack in writing, Franchisee shall submit Franchisee's payments and reports to the Local Marketing Cooperative directly to Daddy's Chicken Shack for distribution to the Local Marketing Cooperative.

6.5.5 Although once established, each Local Marketing Cooperative is intended to be of perpetual duration, Daddy's Chicken Shack shall maintain the right to terminate any Local Marketing Cooperative. A Local Marketing Cooperative shall not be terminated, however, until all monies in that Local Marketing Cooperative have been expended for advertising and/or promotional purposes or returned to its members.

6.6 Approvals. For all proposed Local Advertising and Promotion, Franchisee shall submit samples of such plans and materials to Daddy's Chicken Shack in the manner that Daddy's Chicken Shack prescribes, for Daddy's Chicken Shack's review and prior written approval (except with respect to prices to be charged by Franchisee unless otherwise permitted in this Agreement). If written approval is not received by Franchisee from Daddy's Chicken Shack within fifteen (15) days after the date of receipt by Daddy's Chicken Shack of such samples or materials, Daddy's Chicken Shack shall be deemed to have disapproved them. Franchisee acknowledges and agrees that any and all copyright in and to advertising and promotional materials developed by or on behalf of Franchisee shall be the sole property of Daddy's Chicken Shack, and Franchisee agrees to execute such documents (and, if necessary, require its independent contractors to execute such documents) as may be deemed reasonably necessary by Daddy's Chicken Shack to give effect to this provision.

6.7 Promotional Materials. Daddy's Chicken Shack may make available to Franchisee from time to time, at Franchisee's expense, advertising plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point of purchase materials, special promotions, direct mail materials, community relations programs, and similar advertising and promotional materials. Daddy's Chicken Shack may provide periodic marketing assistance to Franchisee, including telephone and e-mail marketing assistance, and templates or other materials for e-mail-based marketing. Daddy's Chicken Shack shall have the right to require all advertising and promotional materials, signs, decorations, paper goods (including disposable food and beverage containers, bags, napkins, menus, and all forms and stationery used in the Restaurant), any and all replacement trade dress products, and other items which may be designated by Daddy's Chicken Shack, to bear the Daddy's Chicken Shack's then-current Proprietary Marks and logos in the form, color, location, and manner then-prescribed by Daddy's Chicken Shack.

## **7. RECORDS AND REPORTS**

7.1 Records. Franchisee shall maintain for a period of not less than three (3) years during the term of this Agreement, and, for not less than three (3) years following the termination, expiration, or non-renewal of this Agreement, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles, as required by law, and in the form and manner prescribed by Daddy's Chicken Shack from time to time in the Manuals or otherwise in writing. Franchisee shall prepare and maintain all books and records required under this Agreement and as prescribed by Daddy's Chicken Shack during each fiscal year during the term of this Agreement and for the three (3) years prior to each fiscal year. To the extent books and records are created and/or maintained in an electronic form, all such books and records must be capable of being reviewed by Daddy's Chicken Shack or its designee without special hardware or software.

7.2 Periodic Reports. Franchisee shall, at its expense, provide to Daddy's Chicken Shack, in a format specified by Daddy's Chicken Shack, such financial and operating reports that Daddy's Chicken Shack prescribes.

7.3 Reporting Requirements. In addition to the Sales Reports required pursuant to Section 3.5, Franchisee shall also submit to Daddy's Chicken Shack such other forms, reports, records, information, and data as and when Daddy's Chicken Shack may reasonably designate, in the form and format, and at the

times and places reasonably required by Daddy's Chicken Shack, upon request and as specified from time to time in the Manuals or otherwise in writing.

7.4 Audit. Daddy's Chicken Shack or its designee shall have the right at all reasonable times to examine, copy, and/or personally review or audit, at Daddy's Chicken Shack's expense, all books, records, and sales and income tax returns of Franchisee. Franchisee shall cooperate fully with all audits and requests for information made by Daddy's Chicken Shack or its designees. Daddy's Chicken Shack shall also have the right, at any time, to have an independent audit made of the books of Franchisee. If an inspection reveals that any payments have been understated or overstated in any report to Daddy's Chicken Shack, then Franchisee shall immediately pay Daddy's Chicken Shack, in the event of an understatement, the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of one and one-half percent (1.5%) per month, or the maximum rate permitted by law, whichever is less. If an inspection is necessitated because Franchisee fails to timely provide Sales Reports or if an inspection discloses an understatement in any report by Franchisee of two percent (2%) or more, Franchisee shall, in addition, reimburse Daddy's Chicken Shack for any and all costs and expenses connected with the inspection (including, without limitation, travel, lodging, and wages expenses, and reasonable accounting and legal costs). The foregoing remedies shall be in addition to any other remedies Daddy's Chicken Shack may have.

## **8. PROPRIETARY MARKS**

8.1 Ownership of the Proprietary Marks. Daddy's Chicken Shack represents with respect to the Proprietary Marks that:

8.1.1 Daddy's Chicken Shack's affiliate, Daddy's Chicken Shack IP, LLC ("DCSIP"), is currently the owner of all right, title, and interest in and to the Proprietary Marks.

8.1.2 Daddy's Chicken Shack and DCSIP have taken and will take all steps reasonably necessary to preserve and protect DCSIP ownership of, and validity in, the Proprietary Marks, and Daddy's Chicken Shack's right to use and sublicense the Proprietary Marks.

8.1.3 DCSIP has granted Daddy's Chicken Shack the right to use, and to sublicense the right to use, the Proprietary Marks in connection with the development and operation of Daddy's Chicken Shack Restaurants.

8.2 Use of the Proprietary Marks. With respect to Franchisee's use of the Proprietary Marks, Franchisee agrees that:

8.2.1 Franchisee shall use only the Proprietary Marks designated by Daddy's Chicken Shack, and shall use them only in the manner authorized and permitted by Daddy's Chicken Shack; all items bearing the Proprietary Marks shall bear the then-current logo.

8.2.2 Franchisee shall use the Proprietary Marks only for the operation of the business franchised hereunder and only at the location authorized hereunder, or in Daddy's Chicken Shack approved advertising for the business conducted at or from that location.

8.2.3 Unless Daddy's Chicken Shack otherwise directs Franchisee, in writing, to do so, Franchisee shall operate and advertise the Restaurant only under the name "Daddy's Chicken Shack," without prefix or suffix.

8.2.4 Franchisee shall identify itself (in a manner reasonably acceptable to Daddy's Chicken Shack) as the independent owner of the franchised Restaurant in conjunction with any use of the Proprietary Marks, including uses on invoices, order forms, receipts, and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Restaurant as Daddy's Chicken Shack may designate in writing.

8.2.5 Franchisee's right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of Daddy's Chicken Shack's rights.

8.2.6 Franchisee shall not use the Proprietary Marks to incur any obligation or indebtedness on behalf of Daddy's Chicken Shack.

8.2.7 Franchisee shall not use the Proprietary Marks or any variant thereof as part of its corporate or other legal name, or as part of any e-mail address, domain name, websites or other identification of Franchisee in any electronic medium (including e-mail addresses, account names in a social media site, and the like) of Franchisee or the Restaurant in any forum or medium. Daddy's Chicken Shack reserves the right to require Franchisee to file or otherwise update its corporate or other legal name with state or local government authorities to reflect "Daddy's Chicken Shack" as a DBA.

8.2.8 Franchisee shall execute any documents deemed necessary by Daddy's Chicken Shack to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability.

8.2.9 With respect to litigation involving the Proprietary Marks, the parties agree that:

8.2.9.1 Franchisee shall promptly notify Daddy's Chicken Shack of any suspected infringement of the Proprietary Marks, any known challenge to the validity of the Proprietary Marks, or any known challenge to Daddy's Chicken Shack's ownership of, or Franchisee's right to use, the Proprietary Marks licensed hereunder. Franchisee acknowledges that Daddy's Chicken Shack shall have the right to direct and control any administrative or arbitral proceeding or litigation involving the Proprietary Marks, including any settlement thereof. Daddy's Chicken Shack shall also have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks.

8.2.9.2 Except to the extent that any litigation or arbitration involving the Proprietary Marks is the result of Franchisee's use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement or involving any other claim against Daddy's Chicken Shack, Daddy's Chicken Shack agrees to reimburse Franchisee for its out-of-pocket litigation and arbitration costs in doing such acts and things, except that Franchisee shall bear the salary costs of its employees, and Daddy's Chicken Shack shall bear the costs of any judgment or settlement but only if the claim on which the judgment or settlement is made is only related to the validity or ownership of the Proprietary Marks. To the extent that such litigation or arbitration is the result of Franchisee's use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement, Franchisee shall reimburse Daddy's Chicken Shack for the cost of such litigation or arbitration (or, upon Daddy's Chicken Shack's written request, pay Daddy's Chicken Shack's legal fees directly), including attorney's fees, as well as the cost of any judgment or settlement.

8.2.9.3 If Daddy's Chicken Shack undertakes the defense or prosecution of any litigation or arbitration relating to the Proprietary Marks, Franchisee shall execute any and all documents and do such acts and things as may, in the opinion of counsel for Daddy's Chicken

Shack, be necessary to carry out such defense or prosecution, including becoming a nominal party to any legal action.

8.3 Franchisee Acknowledgements Regarding Proprietary Marks. Franchisee expressly understands and acknowledges that:

8.3.1 As between Franchisee and Daddy's Chicken Shack, Daddy's Chicken Shack or its affiliates are the exclusive owner of the Proprietary Marks. The Proprietary Marks are valid, currently owned by DCSIP, and serve to identify the System and those who are authorized by Daddy's Chicken Shack to operate and/or develop under the System.

8.3.2 Neither Franchisee nor any Principal of Franchisee shall directly or indirectly contest the validity of, DCSIP's ownership of, or Daddy's Chicken Shack's license to use and sublicense the Proprietary Marks. Nor shall Franchisee or any Principal of Franchisee, directly or indirectly, seek to register the Proprietary Marks with any government agency, except with the express prior written consent of Daddy's Chicken Shack and DCSIP.

8.3.3 Franchisee's right to use Proprietary Marks is derived solely from this Agreement and limited to its operation of the Restaurant pursuant to and in compliance with this Agreement and Daddy's Chicken Shack's standards and specifications. Franchisee's use of the Proprietary Marks does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks, except the license granted by this Agreement.

8.3.4 Any and all goodwill arising from Franchisee's use of the Proprietary Marks shall inure solely and exclusively to the benefit of Daddy's Chicken Shack and/or DCSIP. This Agreement does not confer any goodwill or other interests in Proprietary Marks upon Franchisee other than the limited right to operate the Restaurant in compliance with this Agreement. Upon expiration or earlier termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Proprietary Marks.

8.3.5 The right and license of the Proprietary Marks granted hereunder to Franchisee is nonexclusive, and Daddy's Chicken Shack and DCSIP thus have and retain the rights, among others:

8.3.5.1 To use the Proprietary Marks itself in connection with selling products and services;

8.3.5.2 To grant other licenses for the Proprietary Marks, in addition to those licenses already granted to existing franchisees or other licensees authorized to operate using the Proprietary Marks;

8.3.5.3 To develop and establish other systems using the same or similar Proprietary Marks, or any other proprietary marks, and to grant licenses or franchises thereto without providing any rights therein to Franchisee.

8.3.6 Daddy's Chicken Shack may, at any time, at its sole option, require Franchisee to use any additional, alternative, or substitute Proprietary Marks. If Daddy's Chicken Shack for any reason is required to or deems it advisable to modify or discontinue the use of any Proprietary Marks and/or use one or more additional, alternative, or substitute trademarks or service marks, Franchisee will comply with Daddy's Chicken Shack's directions within a reasonable time after receiving notice from Daddy's Chicken Shack. All costs and expenses relating to the modification or discontinuance of the use of any Proprietary Marks and/or the use of one or more additional, alternative, or substitute trademarks or service marks will

be paid by Franchisee. All provisions of this Agreement applicable to Proprietary Marks apply to any additional, alternative, or substitute trademarks and service marks or other commercial symbols that Daddy's Chicken Shack authorizes Franchisee to use pursuant to this Agreement.

## **9. MANUALS**

9.1 Manuals. In order to protect the reputation and goodwill of Daddy's Chicken Shack, its affiliates, and the Daddy's Chicken Shack brand and System and to maintain high standards of operation under Daddy's Chicken Shack's Proprietary Marks, Franchisee shall conduct its business in accordance with the Manuals, one (1) copy of which Franchisee acknowledges having received on loan from Daddy's Chicken Shack for the term of this Agreement. The Manuals may consist of multiple volumes of printed text, video and/or audio tapes and files, computer disks, and other electronically stored data, and various and periodic or episodic operational and/or management bulletins, in any format, and Franchisee acknowledges and agrees that Daddy's Chicken Shack may provide a portion or all of the Manuals (including updates and amendments), and other instructional information and materials in, or via, electronic media, including through the Internet.

9.2 Confidentiality of the Manuals. Franchisee shall at all times treat the Manuals, any other manuals created for or approved for use in the operation of the Restaurant, and the information contained therein, as confidential, and shall use best efforts to maintain such information as secret and confidential, protect it from viewing by others, and treat the Manuals with the same degree of care as it would treat its most highly confidential documents. Franchisee shall not at any time copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person.

9.3 Protection of the Manuals. The Manuals shall at all times remain the sole property of Daddy's Chicken Shack and shall at all times be kept in a secure place on the Restaurant premises. Franchisee shall ensure that the Manuals are kept current and up to date; and, in the event of any dispute as to the contents of the Manuals, the terms of the master copy of the Manuals maintained by Daddy's Chicken Shack at Daddy's Chicken Shack's home office shall be controlling.

9.4 Revisions to the Manuals. Daddy's Chicken Shack may from time to time revise the contents of the Manuals, and Franchisee expressly agrees to make corresponding revisions to its copy of the Manuals and to comply with each new or changed standard immediately upon receipt of such revision.

## **10. CONFIDENTIALITY AND COVENANTS NOT TO COMPETE**

10.1 Confidential Information. Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, trade secrets, knowledge, or know how concerning the System or the methods of operation of the business franchised hereunder which may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation under the terms of this Agreement (the "**Confidential Information**"). Franchisee shall divulge such Confidential Information only to such of its employees as must have access to it in order to operate the Restaurant. Any and all information, knowledge, know how, and techniques which Daddy's Chicken Shack designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by Daddy's Chicken Shack; or which, at or after the time of disclosure by Daddy's Chicken Shack to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others. Any employee who may have access to any Confidential Information regarding the Restaurant shall execute a covenant that s/he will maintain the confidentiality of information they receive in connection with their association with



Franchisee. Such covenants shall be on a form provided by Daddy's Chicken Shack, which form may, among other things, designate Daddy's Chicken Shack as a third-party beneficiary of such covenants with the independent right to enforce them.

10.2 Irreparable Injury. Franchisee acknowledges that any failure to comply with the requirements of this Section 10 will cause Daddy's Chicken Shack irreparable injury, and Franchisee agrees to pay all court costs and reasonable attorney's fees incurred by Daddy's Chicken Shack in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 10.

10.3 Information Exchange. Franchisee agrees to disclose to Daddy's Chicken Shack all ideas, concepts, methods, techniques, and products conceived or developed by Franchisee, its affiliates, owners, agents, or employees during the term of this Agreement relating to the development and/or operation of the Restaurant. Franchisee hereby grants to Daddy's Chicken Shack, and agrees to procure from its affiliates, owners, agents, or employees, a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques, and products in all food service businesses operated by Daddy's Chicken Shack or its affiliates, franchisees, and designees. Daddy's Chicken Shack shall have no obligation to make any payments to Franchisee with respect to any such ideas, concepts, methods, techniques, or products. Franchisee agrees that Franchisee will not use or allow any other person or entity to use any such concept, method, technique, or product without obtaining Daddy's Chicken Shack's prior written approval.

10.4 Full Time and Best Efforts. During the term of this Agreement, except as otherwise approved in writing by Daddy's Chicken Shack, the Operating Principal or a General Manager appointed in accordance with Section 5 shall devote full time, energy, and best efforts to the management and operation of the Restaurant.

10.5 In-Term Covenants. Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training and Confidential Information, including information regarding Daddy's Chicken Shack's operational, sales, promotional, and marketing methods and techniques and the System, and that the covenants set forth in this Section 10 (including Section 10.5 and Section 10.6) are made for the purchase and sale of a business or the assets of a business. During the term of this Agreement, except as otherwise approved in writing by Daddy's Chicken Shack, Franchisee shall not (a) within the Designated Area or (b) within two (2) miles of any other Daddy's Chicken Shack Restaurant owned and/or operated or then under construction by Daddy's Chicken Shack or any other franchisee or licensee of Daddy's Chicken Shack, either directly or indirectly, for Franchisee, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

10.5.1 Divert or attempt to divert any business or customer of the Restaurant or of any Daddy's Chicken Shack Restaurant using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks, brand, and the System.

10.5.2 Except as otherwise approved in writing by Daddy's Chicken Shack, directly or indirectly, own, maintain, operate, engage in, have any interest in, or provide any assistance to (whether as owner, stockholder, partner, officer, director, employee, consultant, franchisor, franchisee, lessor, or otherwise) any "**Competitive Business**," which means any quick service, fast food, or fast casual dining restaurant or food service establishment for which twenty-five percent (25%) or more of its menu entrees feature fried chicken (including, without limitation, fried chicken sandwich, wrap, or burrito menu items) or for which such menu items account for twenty-five percent (25%) or more of its gross sales.

10.6 Post-Term Covenants. Except as otherwise approved in writing by Daddy's Chicken Shack, Franchisee shall not, for a continuous uninterrupted period of two (2) years from the date of: (a) a

transfer permitted under Section 12.3 below; (b) expiration or earlier termination of this Agreement (regardless of the cause for termination); or (c) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Section 10.6, either (1) directly or indirectly own, maintain, operate, engage in, have any interest in, or provide any assistance to (whether as owner, stockholder, partner, officer, director, employee, consultant, franchisor, franchisee, lessor, or otherwise) any Competitive Business which is, or is intended to be, located: (a) within the Designated Area of the Restaurant or (b) within two (2) miles of any other Daddy's Chicken Shack Restaurant owned and/or operated or then under construction by Daddy's Chicken Shack, Daddy's Chicken Shack's affiliate, or any other franchisee or licensee of Daddy's Chicken Shack as of the time that the obligations under this Section 10.6 commence, or (2) do or perform, directly or indirectly, any act injurious to the goodwill associated with the Proprietary Marks and the System. If Franchisee does not comply with the post-term covenants as specified in this Section 10.6, the post-term non-compete period shall not begin to run until Franchisee begins to comply.

10.7 Publicly-Held Corporations. Section 10.6 above shall not apply to ownership by Franchisee of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation. As used in this Agreement, the term "**publicly held corporation**" shall be deemed to refer to a corporation which has securities that have been registered under the Securities Exchange Act of 1934.

10.8 Individual Covenants. Franchisee shall require and obtain execution of covenants similar to those set forth in Sections 8, 9, 10.1, and 10.2 (as modified to apply to an individual, if applicable) from any or all of Franchisee's owners holding a five percent (5%) or greater interest in Franchisee, the Operating Principal, and the General Manager. The covenants required by this Section 10.8 shall be in the form provided in **Exhibit F** to this Agreement. Franchisee shall deliver to Daddy's Chicken Shack copies of such executed covenants immediately upon Daddy's Chicken Shack's request. Failure by Franchisee to obtain execution of a covenant required by this Section 10.8 shall constitute a default under this Section 10.

10.9 Severability. 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 Section 10 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Daddy's Chicken Shack is a party, Franchisee agrees 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 Section 10.

10.10 Scope of Covenants. Daddy's Chicken Shack shall have the right to reduce the scope of any covenant set forth in Sections 10.5 and 10.6 in this Agreement, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 24 below.

10.11 Enforcement of Claims. The existence of any claims Franchisee may have against Daddy's Chicken Shack, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Daddy's Chicken Shack of the covenants in this Section 10. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees, costs, and expenses (and interest on such fees, costs, and expenses)) incurred by Daddy's Chicken Shack in connection with the enforcement of this Section 10.

10.12 Irreparable Injury. Franchisee acknowledges that Franchisee's violation of the terms of this Section 10 would result in irreparable injury to Daddy's Chicken Shack for which no adequate remedy

at law may be available, and Franchisee accordingly consents to the issuance of an injunction prohibiting any conduct by Franchisee in violation of the terms of this Section 10.

10.13 Remedies Not Exclusive. The remedies in this Section 10 are in addition to the other right and remedies available to Daddy's Chicken Shack and shall not serve as an election of remedies or a waiver of any other rights.

## 11. INSURANCE

11.1 Franchisee shall comply with the following insurance provisions:

11.1.1 Insurance Requirements. Prior to the commencement of any activities or operations pursuant to this Agreement (and, at the latest, upon the earlier of signing the lease for the Restaurant premises or thirty (30) days prior to the Restaurant opening), Franchisee shall procure and maintain in full force and effect during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required hereunder for events having occurred during the term of this Agreement), at Franchisee's expense, the following insurance policy or policies in connection with the Restaurant or other facilities on premises, or by reason of the construction, operation, or occupancy of the Restaurant or other facilities on premises. Such policy or policies shall be written by an insurance company or companies approved by Daddy's Chicken Shack, having a rating of at least A-VII in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that Daddy's Chicken Shack reasonably designates if A.M. Best Company no longer publishes the Key Rating Guide) and licensed to do business in the state in which the Restaurant is located. All policies will be primary and non-contributory to any insurance that Daddy's Chicken Shack may carry and include a waiver of subrogation in Daddy's Chicken Shack's favor. Such policy or policies shall include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified for all franchisees from time to time by Daddy's Chicken Shack in the Manuals or otherwise in writing to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards, and other relevant changes in circumstances), the following:

11.1.1.1 Liability. A comprehensive general liability policy in the amount of not less than \$2,000,000 bodily injury liability and property damage aggregate and \$1,000,000 liability per occurrence, including premises, operations, products, and completed operations, broad form property damage, blanket contractual owner's and contractor's protective, personal injury, and non-owned or hired automobiles, with no exclusion for third-party delivery services or communicable diseases.

11.1.1.2 Fire. Fire, extended coverage, and "all risk" or direct physical loss, subject to standard exclusions, in an amount not less than 100% of the replacement value of the premises (exclusive of foundation and excavation costs), including all Equipment and any additions to or substitutions for the premises and Equipment. The replacement cost values as defined in said policy shall include the replacement value of stated items then being constructed or purchased by Daddy's Chicken Shack at the time of loss.

11.1.1.3 Business Income and Extra Expense. Business income and extra expense insurance in an amount not less than adequate to pay for the monthly rent reserved under any real property lease or sublease, restaurant equipment lease or sublease, sign lease or sublease, royalties, and other continuing expenses for a limit of fifty percent (50%) of annual sales or twelve (12) months actual loss sustained basis and an extended period of indemnity for not less than one hundred eighty (180) days.

11.1.1.4 Business Automobile Liability Insurance. Business automobile liability insurance, including a combined single bodily injury and property damage coverage for all owned, non-owned, and hired vehicles, with limits of liability not less than One Million Dollars (\$1,000,000) per occurrence for both bodily injury and property damage, with no exclusion for delivery.

11.1.1.5 Statutory Workers' Compensation Insurance. Statutory workers' compensation insurance, and employer's liability insurance for a minimum limit of at least One Million Dollars (\$1,000,000) per accident, One Million Dollars (\$1,000,000) by disease policy limit, and One Million Dollars (\$1,000,000) by disease each accident (stop gap coverage), as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Restaurant is located. Franchisee shall have and maintain such insurance for all of its employees prior to any employee commencing any training with Daddy's Chicken Shack. Franchisee agrees to obtain a waiver of subrogation endorsement on its workers' compensation policy, and shall provide to Daddy's Chicken Shack proof of both (i) the effective workers' compensation policy, and (ii) the endorsement to such policy waiving the insurer's right of subrogation.

11.1.1.6 Commercial Umbrella Liability Insurance. Commercial umbrella liability insurance with limits which bring the total of all primary underlying coverages to not less than Three Million Dollars (\$3,000,000) total limit of liability.

11.1.1.7 Property Insurance. Property insurance providing coverage for direct physical loss or damage to real and personal property for all risk perils, including the perils of flood and earthquake.

11.1.1.8 Products Liability Insurance. Products liability insurance in an amount not less than One Million Dollars (\$1,000,000), which policy shall be considered primary.

11.1.1.9 Cyber Liability Insurance. Cyber liability insurance in an amount that Daddy's Chicken Shack designates, currently One Million Dollars (\$1,000,000).

11.1.1.10 Employment Practices Liability Insurance. Liability for employment-related wrongful acts of Franchisee's employees and harassment and discrimination from or of non-employees for a minimum limit of not less than One Million Dollars (\$1,000,000). This shall also include third-party coverage and wage-and-hour defense costs of at least One Hundred Thousand Dollars (\$100,000).

11.1.1.11 Trade Name Restoration Insurance. Trade name restoration insurance in amount not less than Five Hundred Thousand Dollars (\$500,000) per Restaurant to provide coverage for actual or alleged food borne illness outbreak or contamination event at any Daddy's Chicken Shack Restaurant.

11.1.1.12 Other Insurance. Any other insurance coverage that is required by federal, state, or municipal law.

11.2 Referenced in Manuals. All policies listed in Section 11.1 (unless otherwise noted below) shall contain such endorsements as shall, from time to time, be provided in the Manuals.

11.3 Policy Cancellation. In the event of cancellation, material change, or non-renewal of any policy, thirty (30) days' advance written notice must be provided to Daddy's Chicken Shack in the manner

provided in Section 11.7 below. Franchisee shall arrange for a copy of such notification to be sent to Daddy's Chicken Shack by the insurance company.

11.4 Construction and Remodeling Insurance. In connection with all significant construction, reconstruction, or remodeling of the Restaurant during the term of this Agreement, Franchisee will cause the general contractor, its subcontractors, and any other contractor, to effect and maintain at general contractor's and all other contractor's own expense, such insurance policies and bonds with such endorsements as are set forth in the Manuals, all written by insurance or bonding companies approved by Daddy's Chicken Shack, having a rating as set forth in Section 11.1.1 above.

11.5 No Waiver of Obligations. Franchisee's obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by Daddy's Chicken Shack, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 16.1.3 below.

11.6 Daddy's Chicken Shack to be Additional Named Insured. All insurance policies shall list Daddy's Chicken Shack and its affiliates, and their respective officers, directors, partners, members, subsidiaries, employees, and agents as additional named insureds, and shall also contain a provision that Daddy's Chicken Shack, although named as an insured, shall nevertheless be entitled to recover under said policies on any loss occasioned to Daddy's Chicken Shack or its servants, agents, or employees by reason of the negligence of Franchisee or its servants, agents, or employees. Additional insured status shall include coverage for ongoing and completed operations. The additional insured endorsement form shall be ISO CG 20-26, the Additional Insured/Grantor of Franchise endorsement, or such equivalent form that Daddy's Chicken Shack approves in writing that provides comparable coverage. Additional insured coverage shall not be limited to vicarious liability and shall extend to (and there shall be no endorsement limiting coverage for) Daddy's Chicken Shack's negligent acts, errors, or omissions or other additional insureds. Franchisee shall maintain such additional insured status for Daddy's Chicken Shack on Franchisee's general liability policies continuously during the term of this Agreement. The Employment Practices Liability policy shall name Daddy's Chicken Shack and its affiliates, and their respective officers, directors, partners, members, subsidiaries, employees, and agents as a co-defendant.

11.7 Evidence of Insurance. At least thirty (30) days prior to the time any insurance is first required to be carried by Franchisee, and thereafter at least thirty (30) days prior to the expiration or renewal of any such policy, Franchisee shall deliver to Daddy's Chicken Shack, certificates of insurance, endorsements, insurance declarations, and/or other documents requested by Daddy's Chicken Shack (collectively, "**certificates**"), evidencing the proper coverage with limits not less than those required hereunder. All certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given Daddy's Chicken Shack in the event of material alteration to, cancellation, or non-renewal of the coverages evidenced by such certificates. Further certificates evidencing the insurance required by Section 11.1.1 above shall name Daddy's Chicken Shack, and each of its affiliates, directors, agents, and employees as additional insureds, and shall expressly provide that any interest of same therein shall not be affected by any breach by Franchisee of any policy provisions for which such certificates evidence coverage. In the event that Franchisee fails to obtain the required insurance or to provide evidence reasonably satisfactory to Daddy's Chicken Shack of the insurance policies required by this Section 11.7, Daddy's Chicken Shack shall have the right to obtain such required policies on Franchisee's behalf, and Franchisee agrees that it will promptly reimburse Daddy's Chicken Shack for all costs related to obtaining such policies upon notice from Daddy's Chicken Shack.

11.8 Proof of Insurance. In addition to its obligations under Section 11.7 above, on the first (1st) anniversary of the Effective Date, and on each subsequent anniversary thereof during the term of this Agreement and any renewal hereof, Franchisee shall provide Daddy's Chicken Shack with proof of

insurance evidencing the proper coverage with limits not less than those required hereunder, in such form as Daddy's Chicken Shack may reasonably require.

11.9 Policy Limit Changes. Daddy's Chicken Shack shall have the right, from time to time, to make such changes in minimum policy limits, endorsements, and types of coverage as it deems advisable.

11.10 Daddy's Chicken Shack's Insurance. Franchisee acknowledges and agrees that any insurance policies maintained by Daddy's Chicken Shack for Daddy's Chicken Shack's benefit shall have no effect upon Franchisee's obligation to obtain any insurance required by this Section 11.

## 12. TRANSFER OF INTEREST

12.1 Daddy's Chicken Shack Transfers. Daddy's Chicken Shack has the right to transfer or assign this Agreement, the System, Confidential Information, and all or any part of Daddy's Chicken Shack's rights or obligations under this Agreement or Daddy's Chicken Shack's interest in the System and Confidential Information to any person or legal entity without Franchisee's consent. Any transferee or assignee of this Agreement from Daddy's Chicken Shack will become solely responsible for all of Daddy's Chicken Shack's obligations under this Agreement from the date of the transfer or assignment. Without limiting the foregoing, Daddy's Chicken Shack may sell its assets (including its rights in the Proprietary Marks and the System) to a third party; may offer its securities privately or publicly; may merge with or acquire other legal entities, or be acquired by another legal entity; and may undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring. Nothing contained in this Agreement will require Daddy's Chicken Shack to remain in the business of operating or licensing the operation of Daddy's Chicken Shack Restaurants or other businesses or to offer any services or products to Franchisee, whether or not bearing the Proprietary Marks, if Daddy's Chicken Shack transfers or assigns its rights in or obligations under this Agreement and the System.

12.2 Owners. Each owner of Franchisee, and the interest of each of them in Franchisee, is identified in **Exhibit D** hereto. Franchisee represents and warrants that its owners are set forth on **Exhibit D** attached to this Agreement, and covenants that Franchisee will not permit the identity of such owners, or their respective interests in Franchisee, to change without Daddy's Chicken Shack's consent and without complying with this Agreement.

12.3 Franchisee Transfers. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Daddy's Chicken Shack has granted this franchise in reliance on Franchisee or its owners' business skill, financial capacity, and personal character. Accordingly:

12.3.1 Franchisee and its owners shall not, without Daddy's Chicken Shack's prior written consent, transfer, assign, sell, convey, pledge, give, or otherwise encumber: (a) this Agreement or any of Franchisee's rights and obligations under this Agreement; (b) the Restaurant or all or substantially all of the assets of the Restaurant; (c) the leases or any other interest in the Restaurant; (d) Franchisee; or (e) any direct or indirect ownership interest in Franchisee (individually and collectively, a "**Transfer**").

12.3.2 If Franchisee is a corporation or limited liability company, Franchisee shall not, without Daddy's Chicken Shack's prior written consent, issue any voting securities or securities convertible into voting securities, and the recipient of any such securities shall become an owner under this Agreement, if so designated by Daddy's Chicken Shack.

12.3.3 If Franchisee is a partnership or limited partnership, the partners of the partnership shall not, without Daddy's Chicken Shack's prior written consent, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner.

12.3.4 Franchisee's owner shall not, without Daddy's Chicken Shack's prior written consent, transfer, assign, sell, convey, pledge, gift, or otherwise encumber any interest of an owner in Franchisee as shown in **Exhibit D**.

12.3.5 Franchisee shall not transfer or assign the lease for the Restaurant, or permit a default or surrender of the lease that will or may cause the Restaurant to be owned, leased, or operated by, any person or entity that will not operate a Daddy's Chicken Shack Restaurant, without Daddy's Chicken Shack's prior written consent.

12.4 Conditions for Approval. No Transfer is permitted or authorized without Daddy's Chicken Shack's prior written consent. Daddy's Chicken Shack will not unreasonably withhold any consent required by Section 12.3 above; provided, Daddy's Chicken Shack may require, among other things, any or all of the following as conditions of Daddy's Chicken Shack's consent:

12.4.1 Franchisee and the proposed transferee shall comply with Daddy's Chicken Shack's then-current transfer policies. Franchisee and the proposed transferee shall provide Daddy's Chicken Shack with all information and documents requested by Daddy's Chicken Shack for its evaluation of the proposed transfer, transaction, and transferee, including the business and financial terms of the proposed transaction including the leases and/or any assignments, renewal, or extension of the leases and any necessary landlord consents, financial and operational information regarding the proposed transferee, and evidence of any financing that may be required to complete the transaction and/or fund the transferee's operation after the transfer.

12.4.2 Franchisee and its owners shall execute a general release (which shall include a release from the transferor, Franchisee, Franchisee's owners, and guarantors), in a form satisfactory to Daddy's Chicken Shack, of any and all claims against Daddy's Chicken Shack and its affiliates, successors, and assigns, and their respective owners, directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including claims arising under this Agreement, any other agreement between Daddy's Chicken Shack and Franchisee or their affiliates, and federal, state, and local laws and rules.

12.4.3 The transferee of an owner shall be designated as an owner and each transferee who is designated as an owner shall enter into a written agreement, in a form satisfactory to Daddy's Chicken Shack, agreeing to be bound as an owner under the terms of this Agreement as long as such person or entity owns any interest in Franchisee; and, if Franchisee's obligations were guaranteed by the transferor, the owner shall guarantee the performance of all such obligations in writing in a form satisfactory to Daddy's Chicken Shack.

12.4.4 Prior to, and after the transfer, the transferee and its owners shall meet Daddy's Chicken Shack's educational, managerial, and business standards; each shall possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Restaurant, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the Restaurant. The price, consideration, and other proposed terms of the proposed transfer must not, in Daddy's Chicken Shack's reasonable business judgment, have the effect of negatively impacting the future viability of the Restaurant.

12.4.5 At Daddy's Chicken Shack's option, the transferee shall execute the form of franchise agreement then being offered to new franchisees, and such other ancillary agreements required by Daddy's Chicken Shack for the business franchised hereunder, which agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including higher Royalty Fees and Brand Development Fund Contributions, and a different or modified Designated Area, provided however that the term of such franchise agreement shall be equal to the then unexpired term of this Agreement.

12.4.6 At Daddy's Chicken Shack's option, Franchisee or transferee, at the sole cost and expense of Franchisee or transferee, shall upgrade the Restaurant to conform to the then-current standards and specifications of new Restaurant then being established in the System, and shall complete the upgrading and other requirements set forth in this Section 12.4.6 or as required under Section 5.9 above within the time specified by Daddy's Chicken Shack.

12.4.7 All of Franchisee's monetary obligations hereunder shall be paid in full on a current basis, and Franchisee must not be otherwise in default of any of Franchisee's obligations hereunder including Franchisee's reporting obligations.

12.4.8 The transferor shall remain liable for all of the obligations to Daddy's Chicken Shack in connection with the Restaurant that arose prior to the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and shall execute any and all instruments reasonably requested by Daddy's Chicken Shack to evidence such liability.

12.4.9 Transferee and its Operating Principal, and such other owners or managers as specified by Daddy's Chicken Shack, shall successfully complete (to Daddy's Chicken Shack's satisfaction) all training programs required by Daddy's Chicken Shack (including the Initial Training Program) upon such terms and conditions as Daddy's Chicken Shack may reasonably require (and while Daddy's Chicken Shack will not charge a training fee for attendance at such training programs, the transferee shall be responsible for the salary and all expenses of all persons who attend such training).

12.4.10 To compensate Daddy's Chicken Shack for Daddy's Chicken Shack's legal, accounting, training, and other expenses incurred in connection with the transfer, Franchisee shall pay Daddy's Chicken Shack a non-refundable transfer fee in the amount of Ten Thousand Dollars (\$10,000). The transfer fee shall be paid at the earlier of (a) when the transferee signs the new franchise agreement, or (b) when the transferee begins training. The transfer fee is non-refundable. In addition, in the event a proposed transfer is not consummated or closed, for any reason except for disapproval by Daddy's Chicken Shack, Franchisee or the proposed transferee shall reimburse Daddy's Chicken Shack for all of Daddy's Chicken Shack's costs and expenses incurred in connection with Daddy's Chicken Shack's evaluation of the proposed transfer, including attorneys' and accountants' fees, background checks, site evaluation, and training, if applicable, to the extent the portion of the transfer fee paid does not cover those costs and expenses.

12.4.11 The transferor must certify to Daddy's Chicken Shack that transferor has provided to the transferee true, complete, and accurate copies of Franchisee's financial information and documents regarding the operation of the Restaurant, including the trailing two years of financial statements and monthly cash reports, the lease for the Restaurant premises, material contracts, and such other information as may be specified by Daddy's Chicken Shack.

12.4.12 The transferor must acknowledge and agree that the transferor shall remain bound by the covenants contained in Section 10 above.



12.5 Transfers to Entities for the Convenience of Ownership. If Franchisee desires to transfer all of Franchisee's interest in this Agreement, or if all of Franchisee's owners desire to transfer all of their ownership interests in Franchisee, to a corporation, limited liability company, or other entity, solely for the convenience of ownership and/or for tax or estate planning reasons, Daddy's Chicken Shack shall not unreasonably withhold Daddy's Chicken Shack's consent to such transfer, and Daddy's Chicken Shack shall not require that Franchisee comply with the provisions and conditions of Section 12.4 or 12.6, if Franchisee complies with all of the following conditions:

12.5.1 Franchisee shall provide written notice to Daddy's Chicken Shack not less than thirty (30) days prior to the date of the proposed transfer, and shall provide Daddy's Chicken Shack with such documents and information as Daddy's Chicken Shack may request in support of Franchisee's request, which may include, among other things, entity formation and good standing certifications, evidence of insurance in the name of the new franchisee entity, and bank information for the new franchisee entity.

12.5.2 Franchisee and Franchisee's owners shall own all of the outstanding equity interests in the new franchisee entity, and shall own the same percentage ownership interests in the new franchisee entity as they own in Franchisee, and if Franchisee is an individual, Franchisee shall own 100% of the outstanding voting equity interests in the new franchisee entity.

12.5.3 Each owner who owns at least twenty percent (20%) of the outstanding equity interests in the new franchisee entity shall execute a Guarantee, Indemnification, and Acknowledgement in the form attached as **Exhibit E** hereto.

12.5.4 Franchisee and Franchisee's owners shall comply with the provisions of Sections 12.4.1, 12.4.2, 12.4.6, 12.4.7, and 12.4.11 of this Agreement, and the new entity and its owners shall comply with Sections 5.26 through 5.29 of this Agreement.

12.5.5 Franchisee and Franchisee's owners shall execute such transfer documents, agreements, and other materials as Daddy's Chicken Shack may require.

## 12.6 Right of First Refusal.

12.6.1 If Franchisee or any owner desires to accept any bona fide offer from a third party to purchase Franchisee, all or substantially all of the assets of the Restaurant, or any direct or indirect interest in Franchisee, Franchisee or such owner shall promptly notify Daddy's Chicken Shack of such offer and shall provide such information and documentation relating to the offer as Daddy's Chicken Shack may require. Daddy's Chicken Shack shall have the right and option, exercisable within thirty (30) days after receipt of all such information, to send written notice to the seller that Daddy's Chicken Shack intends to purchase the seller's interest on the same terms and conditions offered by the third party. If Daddy's Chicken Shack elects to purchase the seller's interest, the closing on such purchase shall occur within sixty (60) days from the date of notice to the seller of the election to purchase by Daddy's Chicken Shack.

12.6.2 Any material change in the terms of the bona fide offer prior to closing shall constitute a new offer subject to the same rights of first refusal by Daddy's Chicken Shack as in the case of the third party's initial offer. Daddy's Chicken Shack's failure to exercise the option afforded by this Section 12.6 shall not constitute consent to a proposed transfer, a waiver of any other provision of this Agreement, including all of the requirements of this Section 12 with respect to a proposed transfer, or a waiver of any subsequent offer.

12.6.3 In the event the consideration, terms, and/or conditions offered by a third party are such that Daddy's Chicken Shack may not reasonably be required to furnish the same consideration, terms,

and/or conditions, then Daddy's Chicken Shack may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one (1) independent appraiser, then an independent appraiser shall be promptly designated by Daddy's Chicken Shack and another independent appraiser shall be promptly designated by Franchisee, which two (2) appraisers shall, in turn, promptly designate a third appraiser; all three (3) appraisers shall promptly confer and reach a single determination, which determination shall be binding upon Daddy's Chicken Shack and Franchisee. The cost of any such appraisal shall be shared equally by Daddy's Chicken Shack and Franchisee. If Daddy's Chicken Shack elects to exercise its right under this Section 12.6, Daddy's Chicken Shack shall have the right to set off all amounts due from Franchisee, and one-half (1/2) of the cost of the appraisal, if any, against any payment to the seller.

12.7 Transfer Upon Death. Within six (6) months after the death of Franchisee (if a natural person) or the death of an owner of Franchisee, the executor, administrator, or other personal representative of the deceased will transfer the interest of the deceased in this Agreement or Franchisee to a third party approved by Daddy's Chicken Shack in accordance with Section 12.4. If no personal representative is designated or appointed and no probate proceedings are instituted with respect to the estate of the deceased, the distributee of the interest of the deceased must be approved by Daddy's Chicken Shack. If the distributee is not approved by Daddy's Chicken Shack, the distributee will transfer the interest of the deceased to a third party approved by Daddy's Chicken Shack within six (6) months after the date of death of the deceased in accordance with Section 12.4.

12.8 Transfer Upon Permanent Disability. Upon Franchisee's permanent disability or the permanent disability of any owner with a controlling interest in Franchisee, Daddy's Chicken Shack may require Franchisee's or the owner's interest to be transferred to a third party approved by Daddy's Chicken Shack within six (6) months after notice to Franchisee. "**Permanent disability**" shall mean any physical, emotional, or mental injury, illness, or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least six (6) consecutive months and from which condition recovery within six (6) consecutive months from the date of determination of disability is unlikely. If Daddy's Chicken Shack and Franchisee or Franchisee's representative disagree as to whether a person has a permanent disability, the existence of the permanent disability shall be determined by a licensed practicing physician selected by Daddy's Chicken Shack upon examination of such person or, if such person refuses to be examined, then such person shall automatically be deemed permanently disabled for the purposes of this Section 12.8 as of the date of refusal. Daddy's Chicken Shack shall pay the cost of the required examination.

12.9 Notification Upon Death or Permanent Disability. Within ten (10) days after the death or permanent disability of Franchisee (if a natural person) or an owner, Franchisee or Franchisee's representative shall notify Daddy's Chicken Shack of the death or permanent disability in writing. Any transfer upon death or permanent disability will be subject to the same terms and conditions set out in this Section 12 for any transfer.

12.10 No Waiver of Claims. Daddy's Chicken Shack's consent to a transfer which is the subject of this Section 12 shall not constitute a waiver of any claims Daddy's Chicken Shack may have against the transferring party, nor shall it be deemed a waiver of Daddy's Chicken Shack's right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

12.11 Insolvency. If Franchisee or any person holding any interest (direct or indirect) in Franchisee becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding, intent, and agreement that any transfer in this Agreement,

Franchisee, Franchisee's obligations and/or rights hereunder, all or substantially all of the assets of the Restaurant, or any indirect or direct interest in Franchisee shall be subject to all of the terms of this Section 12.

**12.12 Securities Offerings.** All materials for an offering of stock or partnership interests in Franchisee or any of Franchisee's affiliates which are required by federal or state law shall be submitted to Daddy's Chicken Shack for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering shall be submitted to Daddy's Chicken Shack for such review prior to their use. No offering by Franchisee or any of Franchisee's affiliates shall imply (by use of the Proprietary Marks or otherwise) that Daddy's Chicken Shack is participating in an underwriting, issuance, or offering of the securities of Franchisee or Franchisee's affiliates; and Daddy's Chicken Shack's review of any offering shall be limited solely to the relationship between Daddy's Chicken Shack and Franchisee and any subsidiaries and affiliates, if applicable, and shall not constitute any opinion as to any legal requirement. Daddy's Chicken Shack may, at its option, require the offering materials to contain a written statement prescribed by Daddy's Chicken Shack concerning the limitations stated in the preceding sentence. Franchisee (and the offeror if not Franchisee), the owners, and all other participants in the offering must fully indemnify Daddy's Chicken Shack, its subsidiaries, affiliates, successor, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in connection with the offering and shall execute any and all documents required by Daddy's Chicken Shack to endorse such indemnification; provided, there will be no indemnification for Daddy's Chicken Shack's gross negligence or willful misconduct according to a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction. For each proposed offering, Franchisee shall pay Daddy's Chicken Shack a non-refundable fee of Ten Thousand Dollars (\$10,000) or such greater amount as is necessary to reimburse Daddy's Chicken Shack for its reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering. Franchisee shall give Daddy's Chicken Shack written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 12 commences. Any such offering shall be subject to all of the other provisions of this Section 12; and further, without limiting the foregoing, it is agreed that any such offering shall be subject to Daddy's Chicken Shack's approval as to the structure and voting control of the offeror (and Franchisee, if Franchisee is not the offeror) after the financing is completed.

### **13. DEFAULT AND TERMINATION**

**13.1 Automatic Termination.** Franchisee shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or make a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by Franchisee or such a petition is filed against and not opposed by Franchisee; or if Franchisee is adjudicated bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; or if a final judgment of Ten Thousand Dollars (\$10,000) or more against Franchisee or Franchisee's affiliate remains unsatisfied or of record for thirty (30) days or longer (unless appealed or a supersedeas bond is filed); or if Franchisee is dissolved; or if an attachment or execution is levied against Franchisee's business or property, including Franchisee's bank accounts, property, or any receivables and is not dismissed within thirty (30) days; or if suit to foreclose any lien or mortgage against the Restaurant premises or equipment is instituted against Franchisee and not dismissed within five (5) days; or if the real or personal property of the Restaurant shall be sold after levy thereupon by any sheriff, marshal, or constable.

13.2 Termination Upon Notice Without Opportunity to Cure. Franchisee shall be deemed to be in default and Daddy's Chicken Shack may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon the delivery of written notice to Franchisee by Daddy's Chicken Shack (in the manner set forth under Section 20 below), upon the occurrence of any of the following events:

13.2.1 If Franchisee fails to obtain approval of the site for the Restaurant pursuant to this Agreement or the Site Selection Addendum;

13.2.2 If Franchisee fails to construct, timely open, maintain, repair, or renovate the Restaurant in accordance with this Agreement or Daddy's Chicken Shack's plans and specifications or fails to equip the Restaurant in accordance with Daddy's Chicken Shack's standards and specifications;

13.2.3 If Franchisee, its Operating Principal, or managers fail to complete the initial training program pursuant to Section 5.4 of this Agreement;

13.2.4 If Franchisee at any time without the written consent of Daddy's Chicken Shack ceases to operate or otherwise abandons the Restaurant for three (3) consecutive business days, or loses the right to possession of the Restaurant premises, or otherwise forfeits the right to do or transact business in the jurisdiction where the Restaurant is located; provided, however, that if, through no fault of Franchisee, the premises are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within ninety (90) days thereafter, then Franchisee shall have thirty (30) days after such event in which to apply for Daddy's Chicken Shack's approval to relocate and/or reconstruct the Restaurant, which approval shall not be unreasonably withheld;

13.2.5 If Franchisee defaults under any lease or sublease for the Restaurant (the "**Lease**") and fails to cure the default within the time period specified in the Lease, or if the Lease is terminated, for any reason, or expires;

13.2.6 If Franchisee, any owner of Franchisee, or any affiliate of Franchisee is convicted of or pleads no contest to a felony, a crime involving moral turpitude, or any other crime or offense that Daddy's Chicken Shack believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or Daddy's Chicken Shack's interest therein;

13.2.7 If Franchisee engages in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice;

13.2.8 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Restaurant;

13.2.9 If Franchisee or any of Franchisee's owners purports to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 12;

13.2.10 If Franchisee fails to permit an inspection pursuant to Section 5.13 or an audit pursuant to Section 7.4;

13.2.11 If Franchisee fails to comply with the covenants in Section 10.5 or fails to timely obtain execution of the covenants required under Section 10.8;

13.2.12 If any individual who provides the covenants described in Section 10.8 fails to comply with such covenants;

13.2.13 If, contrary to the terms of Sections 9 or 10 above, Franchisee or any individual described in Section 10 discloses or divulges the contents of the Manuals or other Confidential Information;

13.2.14 If Franchisee knowingly maintains false books or records, or submits any false reports (including information provided as part of Franchisee's application for this franchise) to Daddy's Chicken Shack;

13.2.15 If Franchisee makes, or has made, any misrepresentation or engaged in any act of fraud in connection with obtaining this Agreement or in conducting the business franchised and licensed under this Agreement;

13.2.16 If Franchisee fails to pay any supplier or vendor when due, and fails to cure such default within the time period specified by the supplier or vendor, or in the applicable supply contract;

13.2.17 If Franchisee fails to pay any third party, including a lender, seller, or lessor of products, services or equipment, any amount due by Franchisee to such parties on any note, financing, obligation, or financial instrument when due, and such failure to pay the full amount owed is not cured after any notice required by the contract or under applicable law;

13.2.18 If Franchisee makes any unauthorized or improper use of the Proprietary Marks, or if Franchisee or any owner of Franchisee fails to utilize the Proprietary Marks solely in the manner and for the purposes directed by Daddy's Chicken Shack, or directly or indirectly contests the validity of Daddy's Chicken Shack's ownership of the Proprietary Marks or Daddy's Chicken Shack's right to use and to license others to use the Proprietary Marks;

13.2.19 If Franchisee fails to submit to Daddy's Chicken Shack any financial or other information required under this Agreement;

13.2.20 If Franchisee fails to operate the Restaurant in accordance with this Agreement, including operating the Restaurant in compliance with the operating standards and specifications established from time to time by Daddy's Chicken Shack as to the quality of service, specifications and use of computer hardware and software, cleanliness, health and sanitation, or if Franchisee receives a failing score on any inspection conducted in accordance with Section 5.13 hereof;

13.2.21 If any other agreement between Franchisee (or any of its affiliates) and Daddy's Chicken Shack (or any of its affiliates) is terminated for cause;

13.2.22 If Franchisee fails on more than three (3) or more occasions during any 12-month period to comply with one (1) or more requirements of this Agreement, regardless of whether the prior defaults were cured;

13.2.23 If Franchisee fails to comply with any applicable laws as more specifically set forth in Section 5.25;

13.2.24 If Franchisee, prior to operating the Restaurant, does not obtain Daddy's Chicken Shack's prior written approval of an Operating Principal if (1) Franchisee is not an individual or (2) Franchisee does not participate personally in the direct operation of the Restaurant; and

13.2.25 If the right of Franchisee to possess the Restaurant premises terminates for any reason whatsoever.

13.3 Termination With Opportunity to Cure. Except as otherwise provided in Sections 13.1 and 13.2 above, upon any other default by Franchisee of Franchisee's obligations hereunder, Daddy's Chicken Shack may terminate this Agreement by giving written notice of termination (in the manner set forth under Section 20 below) setting forth the nature of such default to Franchisee at least thirty (30) days prior to the effective date of termination (or, with respect to monetary defaults, five (5) days); provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to Daddy's Chicken Shack's satisfaction, and by promptly providing proof thereof satisfactory to Daddy's Chicken Shack, all within the thirty (30) (or five (5)) day period. If any such default is not cured within the specified time, this Agreement shall terminate without further notice to Franchisee effective immediately upon the expiration of the thirty (30) (or five (5)) day period or such longer period as applicable law may require.

13.4 Extended Notice of Termination. If any law applicable to this Section 13 requires a longer notice period prior to termination of this Agreement, or prior to a refusal to enter into a successor or renewal franchise, than is required hereunder, a different standard of "good cause", or the taking of some other action not required hereunder, the prior notice, "good cause" standard, and/or other action required by such law shall be substituted for the comparable provisions hereof.

13.5 Assignment Upon Bankruptcy. If, for any reason, this Agreement is not terminated pursuant to this Section 13, and the Agreement is assumed, or assignment of the same to any person or entity who has made a bona fide offer to accept an assignment of the Agreement is contemplated, pursuant to the United States Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: (i) the name and address of the proposed assignee; and (ii) all of the terms and conditions of the proposed assignment and assumption, shall be given to Daddy's Chicken Shack within twenty (20) days after receipt of such proposed assignee's offer to accept assignment of this Agreement, and, in any event, within ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption, and Daddy's Chicken Shack shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of such proposed assignment and assumption, to accept an assignment of this Agreement to Daddy's Chicken Shack upon the same terms and conditions and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by Franchisee out of the consideration to be paid by such assignee for the assignment of this Agreement. In the event Daddy's Chicken Shack does not elect to exercise the options described in this Section 13.5, any transfer or assignment pursuant to the United States Bankruptcy Code shall be subject to the same terms and conditions of any other transfer or assignment set forth in Section 12.

13.6 Other Remedies. Daddy's Chicken Shack has the right to undertake any one or more of the following actions in addition to, or in lieu of, terminating this Agreement:

13.6.1 Daddy's Chicken Shack may require Franchisee to close the Restaurant and take the necessary steps to bring the Restaurant (including the operation, maintenance, repair and restoration of the Restaurant) into strict conformity with Daddy's Chicken Shack's standards and specifications and the requirements of this Agreement. Franchisee shall not reopen the Restaurant until Franchisee has brought it into conformity with Daddy's Chicken Shack's standards and specifications;

13.6.2 Daddy's Chicken Shack may modify, or eliminate completely, the Designated Area described in Section 1.2 above;

13.6.3 Daddy's Chicken Shack may elect, but has no obligation, to assume complete operating control and possession of the Restaurant and operate the same in the capacity of a receiver. Daddy's Chicken Shack shall apply funds received from that operation, first to the payment of all of Daddy's Chicken Shack's costs and expenses of operation, then to the current obligations of Franchisee to Daddy's Chicken Shack or any third party, and then to the past due obligations of Franchisee to Daddy's Chicken Shack or any third party, with any remaining funds paid over to Franchisee; and

13.6.4 Daddy's Chicken Shack may disable access to or remove all or any references to the Restaurant or webpage(s) of the Restaurant from the Authorized Website, until such time as the default is fully cured.

If any of such rights, options, arrangements, or areas are terminated or modified in accordance with this Section 13.6, such action shall be without prejudice to Daddy's Chicken Shack's right to terminate this Agreement in accordance with Sections 13.2 or 13.3 above, and/or to terminate any other rights, options, or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.

## **14. OBLIGATIONS UPON TERMINATION OR EXPIRATION**

14.1 Upon termination or expiration of this Agreement, all rights granted hereunder to Franchisee shall forthwith terminate, and:

14.1.1 Cease Operations. Franchisee shall immediately cease to operate the Restaurant, and shall not thereafter, directly or indirectly, represent to the public or hold Franchisee out as a present or former franchisee of Daddy's Chicken Shack.

14.1.2 Cease Use of Proprietary Marks. Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures, and techniques associated with the System, the mark "Daddy's Chicken Shack" and all other Proprietary Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. In particular, Franchisee shall cease to use all signs, advertising materials, displays, stationery, forms, and any other articles that display the Proprietary Marks, remove all such articles and/or permit Daddy's Chicken Shack to enter the Restaurant and remove or permanently cover all signs or advertisements identifiable in any way with Daddy's Chicken Shack's name or business, at Franchisee's expense.

14.1.3 Cancellation of Assumed Names. Franchisee shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains the Proprietary Mark "Daddy's Chicken Shack" and all other Proprietary Marks, and/or any other service mark or trademark, and Franchisee shall furnish Daddy's Chicken Shack with evidence satisfactory to Daddy's Chicken Shack of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

14.1.4 Pay Monies Owed; Liquidated Damages. Within ten (10) days after the effective date of expiration or termination of this Agreement, or such later date that the amounts due to us are determined, Franchisee shall pay Daddy's Chicken Shack all sums and amounts then due to Daddy's Chicken Shack or its affiliates. Franchisee shall also pay to Daddy's Chicken Shack, in addition to any amounts then due and owing, all damages suffered and expenses incurred by Daddy's Chicken Shack as a result of any default, including reasonable attorneys' fees, expenses, and costs, and interest on such attorneys' fees, expenses, and costs. Franchisee acknowledges and agrees that, in the event this Agreement is terminated prior to its expiration due to a default by Franchisee, such termination will result in lost future revenue and profits to Daddy's Chicken Shack, harm to the goodwill associated with the Proprietary Marks, and increased costs to Daddy's Chicken Shack to re-develop or re-franchise the Designated Area in which

the Restaurant is located. Franchisee further acknowledges and agrees that the actual damages that would be incurred by Daddy's Chicken Shack in the event of any early termination of this Agreement would be difficult to calculate or ascertain. Accordingly, if this Agreement is terminated prior to its expiration due to a default by Franchisee, Franchisee will, within ten (10) days after the effective date of such termination, pay Daddy's Chicken Shack in a single lump sum payment, as liquidated damages and not as a penalty, an amount equal to the product of the average yearly amount of Royalty Fees paid by Franchisee under Section 3.3 of this Agreement during the three (3) years immediately preceding the termination (or such period as the Restaurant was open for business, if the Restaurant was not open for business during the entire three-year period), multiplied by the lesser of (i) three (3) or (ii) the number of years remaining in the Agreement's then-current initial term or renewal term. Franchisee acknowledges and agrees that such amount is considered to be a reasonable, bona fide pre-estimate of damages, which is fair and reasonable under the circumstances, and not a penalty. Franchisee acknowledges and agrees that the liquidated damages specified in this Section 14.1.4 are only intended to compensate Daddy's Chicken Shack for the early termination of this Agreement and Daddy's Chicken Shack's loss of revenue resulting therefrom, but not for any other breach of this Agreement by Franchisee or any other damages, losses, or expenses incurred by Daddy's Chicken Shack, and all other applicable remedies under the law remain available to Daddy's Chicken Shack.

14.1.5 Return of Manuals and Other Materials. Franchisee shall immediately deliver to Daddy's Chicken Shack the Manuals, plans, specifications, designs, records, data, samples, models, programs, handbooks, and drawings relating to the Daddy's Chicken Shack's brand, System, operations, or business, and all other materials containing Confidential Information (including any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be Daddy's Chicken Shack's property.

14.1.6 No Confusion. Franchisee agrees that, if it continues to operate or subsequently begins to operate any other business, Franchisee shall not use any reproduction, counterfeit copy, or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute Daddy's Chicken Shack's rights in and to the Proprietary Marks, and further agrees not to utilize any designation of origin, description, trademark, service mark, or representation which suggests or represents a present or past association or connection with Daddy's Chicken Shack, the brand, the System, or the Proprietary Marks.

14.1.7 Assign Leases; Modification of Premises. Daddy's Chicken Shack shall have the right and option, but not the obligation, to acquire the Leases for the Restaurant, or otherwise acquire the right to occupy the premises. Daddy's Chicken Shack may assign or delegate this right or option to any of Daddy's Chicken Shack's affiliates or a third-party designee, without notice to, or request for approval from, the landlord or lessor of the premises. If Daddy's Chicken Shack or its assignee or delegatee does not elect or is unable to exercise any option Daddy's Chicken Shack may have to acquire the leases or subleases for the premises of the Restaurant, or otherwise acquire the right to occupy the premises, Franchisee shall make such modifications or alterations to the premises operated hereunder (including the changing of the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to de-identify and distinguish the appearance of said premises from that of other Daddy's Chicken Shack Restaurants, and shall make such specific additional changes thereto as Daddy's Chicken Shack may reasonably request for that purpose. In addition, Franchisee shall cease use of, and if Daddy's Chicken Shack requests shall transfer to Daddy's Chicken Shack, all telephone numbers, customer "loyalty" lists, and any domain names, websites, e-mail addresses, and any other identifiers, whether or not authorized by Daddy's Chicken Shack, used by Daddy's Chicken Shack while operating the Restaurant, and shall promptly execute such documents or take such steps necessary to remove reference to the Restaurant from all trade or business telephone directories, including "yellow" and "white" pages, or at Daddy's Chicken



Shack's request transfer same to Daddy's Chicken Shack. If Franchisee fails or refuses to comply with the requirements of this Section 14.1.7, Daddy's Chicken Shack (or its designee) shall have the right to enter upon the premises of the Restaurant, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at Franchisee's expense, which expense Franchisee agrees to pay upon demand.

14.1.8 Option to Purchase Equipment and Furnishings. Daddy's Chicken Shack shall have the option, to be exercised within thirty (30) days after expiration or earlier termination of this Agreement, to purchase from Franchisee any or all of the equipment or inventory related to the operation of the Restaurant, at the lesser of the fair market value or Franchisee's book value. The book value shall be determined based upon a five (5) year straight line depreciation of original costs. For equipment that is five (5) or more years old, the parties agree that fair market value shall be deemed to be ten percent (10%) of the equipment's original cost. If Daddy's Chicken Shack elects to exercise any option to purchase herein provided, Daddy's Chicken Shack shall set off all amounts due from Franchisee. Notwithstanding any term or provision in this subparagraph to the contrary, Daddy's Chicken Shack expressly reserves the right, but not the obligation, to negotiate to purchase the equipment directly from the lessor of the equipment. The transfer of the equipment from Franchisee to Daddy's Chicken Shack shall take place within sixty (60) days after the expiration or earlier termination of this Agreement upon receipt of payment or any applicable transfer and release documents from Daddy's Chicken Shack; provided, however, that if the transfer cannot take place within that time period because of delays caused by Franchisee's lender or lessor, the time period shall extend by a like number of days. All such equipment and inventory shall be transferred without liens or other encumbrances of any kind and Daddy's Chicken Shack shall receive free and clear title. If Daddy's Chicken Shack exercises the options contained in Sections 14.1.7 and 14.1.8 of this Agreement, Franchisee shall leave all of the equipment at the Restaurant in good working order and repair and shall allow Daddy's Chicken Shack to use the equipment without charge until the transfer of the equipment takes place.

14.1.9 Damages and Costs. Franchisee shall pay Daddy's Chicken Shack all damages, costs, interest, and expenses, including reasonable attorneys' fees, costs, and expenses (and interest on such fees, costs, and expenses), incurred by Daddy's Chicken Shack subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 14.1.

14.1.10 Other Rights of Franchisee. The termination of this Agreement shall not affect the rights of Franchisee to operate other Daddy's Chicken Shack restaurants in accordance with the terms of any other applicable franchise agreements with Daddy's Chicken Shack until and unless the other franchise agreements, or any of them, terminate or expire.

## **15. TAXES, PERMITS, AND INDEBTEDNESS**

15.1 Taxes. Franchisee shall promptly pay when due all taxes levied or assessed, including unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the Restaurant. If Franchisee is required to deduct any sales tax, gross receipts tax, income tax, withholding tax, or similar tax from any payment to Daddy's Chicken Shack, then, to the extent that Daddy's Chicken Shack is not able to successfully obtain and utilize a tax credit from the applicable taxing authorities, the amount payable by Daddy's Chicken Shack shall be increased by such amount as is necessary to make the actual amount received (after such withholding tax and after any additional taxes on account of such additional payment) equal to the amount that Daddy's Chicken Shack would have received had no tax payment been required, provided that such shortfall is not caused by Daddy's Chicken Shack's gross negligence, willful misconduct, or fraud in filing the claims, or for reasons that can be solely attributable to Daddy's Chicken Shack.

15.2 Tax Disputes. In the event of any bona fide dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Restaurant, or any improvements thereon.

15.3 Compliance With Laws. Franchisee shall comply with all federal, state, and local laws, rules, and regulations, including employment, labor, and wage and hour laws, tax laws, and local operating regulations. Franchisee shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Restaurant, including licenses to do business, health certificates, fictitious name registrations, sales tax permits, and fire clearances. To the extent that the requirements of said laws are in conflict with the terms of this Agreement, the Manuals, or Daddy's Chicken Shack's other instructions, Franchisee shall: (a) comply with said laws; and (b) immediately provide written notice describing the nature of such conflict to Daddy's Chicken Shack.

15.4 Notification of Claims. Franchisee shall notify Daddy's Chicken Shack in writing within three (3) days of receipt of notice of any health or safety violation, the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, or within three (3) days occurrence of any accident or injury which may adversely affect the operation of the Restaurant or Franchisee's financial condition, or give rise to liability or a claim against Franchisee or Daddy's Chicken Shack.

## 16. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

16.1 It is understood and agreed by the parties hereto that this Agreement does not in any way create the relationship of principal, agent, fiduciary, joint venture, joint employer, or employer/employee between Daddy's Chicken Shack and Franchisee; that Franchisee shall be an independent contractor; and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, joint employer, partner, employee, or servant of the other for any purpose whatsoever. For the avoidance of doubt, Daddy's Chicken Shack is not the employer or joint employer of Franchisee or Franchisee's employees.

16.1.1 Identification as Independent Contractor. At all times during the term of this Agreement and any extensions hereof, Franchisee shall hold itself out to the public as an independent contractor operating the business pursuant to a franchise from Daddy's Chicken Shack.

16.1.2 No Agency. Franchisee shall not act or attempt to act or represent itself, directly or by implication, as an agent of Daddy's Chicken Shack. It is understood and agreed that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on Daddy's Chicken Shack's behalf, or to incur any debt or other obligation in Daddy's Chicken Shack's name; and that Daddy's Chicken Shack shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Daddy's Chicken Shack be liable by reason of any act or omission by Franchisee in Franchisee's conduct of the Restaurant or for any claim or judgment arising therefrom against Franchisee or Daddy's Chicken Shack. Franchisee shall not have the authority, express or implied, to bind or obligate Daddy's Chicken Shack in any way.

16.1.3 Indemnification. Franchisee, on behalf of itself, its affiliates, and their respective owners, will, to the fullest extent permissible under applicable law, indemnify, defend and hold harmless Daddy's Chicken Shack, its affiliates, and each of their respective owners, officers, directors, members, employees and agents (the "**Indemnified Parties**") against and reimburse any one or more of the Indemnified Parties for any and all losses, compensatory, exemplary or punitive damages, arbitration costs,

mediation costs, settlement amounts, judgments, court costs, fines, charges, costs, and expenses, including, without limitation, reasonable attorneys' fees, and consequential damages (together, "**Losses and Expenses**") arising out of or from or related to, any claims, directly or indirectly, arising out of or from or related to the operation of the Restaurant, any breach of this Agreement or the Manuals, by Franchisee, its affiliates, any of their respective owners, or any breach by Franchisee, its affiliate, or any of their respective owners of any other agreement between Daddy's Chicken Shack or its affiliate, on the one hand, and Franchisee, its affiliate, or any of their respective owners, on the other hand. The indemnity set forth above includes claims, directly or indirectly, arising out of, from, or related to the Indemnified Parties' negligence, but not claims caused solely by the Indemnified Parties' gross negligence, fraud, or willful misconduct according to a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction. Daddy's Chicken Shack has the right, at its option, to defend any such claim against it at Franchisee's sole cost and expense with counsel of Daddy's Chicken Shack's choosing. If Franchisee defends any claim, it may not enter into any settlement agreement or otherwise resolve or conclude the matter without Daddy's Chicken Shack's prior written consent. This indemnity will continue in full force and effect subsequent to, and notwithstanding, the expiration or earlier termination of this Agreement. Under no circumstances will Daddy's Chicken Shack or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate its or Franchisee's Losses and Expenses, in order to maintain and recover fully a claim against Franchisee, Franchisee's affiliate, or their respective owners. Any failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts recoverable by Daddy's Chicken Shack or another Indemnified Party from Franchisee, Franchisee's affiliate, or their respective owners. Franchisee's obligations under this Section 16.1.3 will survive the expiration or earlier termination of this Agreement.

## **17. GOVERNING LAW AND DISPUTE RESOLUTION**

17.1 Governing Law. This Agreement and the relationship of the parties shall be governed and construed in accordance with the laws of Colorado, without regard to its conflicts of laws provisions. However, the laws of the state in which the Restaurant operates shall govern the enforcement of the non-compete provisions of Section 10 of this Agreement. Nothing in this Section 17 is intended by the parties to subject this Agreement to any franchise, business opportunity, antitrust, consumer protection, or any other law, rule, or regulation of the State of Colorado to which this Agreement would not otherwise be subject.

17.2 Venue. Subject to the terms and provisions of Section 17.3 below, the parties agree that any action brought by one party against the other in any court, whether federal or state, shall be brought only before a federal or state court encompassing Castle Rock, Colorado. The parties agree that this Section 17.2 shall not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue shall be as set forth above. Franchisee and its owners hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision. Any such action shall be conducted on an individual basis, and not as part of a consolidated, common, or class action, and Franchisee and its owners waive any and all rights to proceed on a consolidated, common, or class basis.

17.3 Arbitration. Except as otherwise provided in this Agreement, any claim, controversy, or dispute arising out of or relating to this Agreement, the Restaurant, or the relationship created by this Agreement, including any claim by Franchisee or its owners, concerning the entry into, the performance under, or the termination of this Agreement, or any other agreement between the parties or their affiliates will be resolved via binding arbitration under the authority of the Federal Arbitration Act in accordance with the following provisions:

17.3.1 Any arbitration will be administered by the American Arbitration Association (or its successor) pursuant to its then-current commercial arbitration rules and procedures. The arbitrator will have the authority to decide issues regarding arbitrability and the scope of the arbitrator's jurisdiction. The arbitration must take place in the metropolitan area in which our headquarters are located at the time of the dispute (currently the Denver, Colorado metropolitan area).

17.3.2 Any arbitration must be on an individual basis, and not as part of a common, consolidated, or class action. The parties and the arbitrator will have no authority or power to proceed with any claim as a class action or otherwise to join or consolidate any claim with any other claim or any other proceeding involving third parties. If a court determines that this limitation on joinder of or class action certification of claims is unenforceable, then this entire commitment to arbitrate will become null and void and the parties will submit all claims to the jurisdiction of the courts.

17.3.3 The arbitrator must follow the law and not disregard the terms of this Agreement or its related agreements. Except as otherwise provided in this Agreement, the arbitrator will have the authority to award any interim, interlocutory, or final remedy or relief that a court of the State of Colorado could order or grant, including, without limitation, general damages, specific performance of any obligation created under this Agreement, the issuance of an injunction or other extraordinary relief, or the imposition of sanctions for abuse or frustration of the arbitration process; however, the arbitrator may not under any circumstances: (i) stay the effectiveness of any pending termination of this Agreement; (ii) assess punitive or other prohibited damages; or (iii) make an award that extends, modifies, or suspends any lawful term of this Agreement or its related agreements or any reasonable standard of business performance that we set. A judgment may be entered upon the arbitration award by any state or federal court of competent jurisdiction. The decision of the arbitrator will be binding and final on all parties to the dispute.

17.3.4 Except as necessary to obtain interim or provisional relief, to enforce any arbitration award or order, or to comply with any franchise-specific disclosure obligation, the arbitration proceeding and award will be maintained as strictly confidential and neither party hereto nor the arbitrator may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties hereto.

17.3.5 Each party will bear its share of the costs of the arbitration proceeding. The prevailing party to the arbitration will have the right to an award of its reasonable attorneys' fees and costs incurred after the filing of the demand for arbitration. If either Daddy's Chicken Shack or Franchisee seeks to enforce this Agreement in any arbitral or other proceeding, the prevailing party will be entitled to recover its reasonable costs and expenses (including reasonable attorneys' fees, costs, and expenses (and interest on such fees, costs, and expenses) and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel or living expenses) incurred in connection with such judicial or other proceeding.

17.3.6 This agreement to arbitrate shall survive the expiration or termination of this Agreement.

17.4 Injunctive Relief. Notwithstanding anything to the contrary contained in this Section 17, either party may file suit in a court of competent jurisdiction (pursuant to Section 17.2) for the entry of temporary or preliminary injunctive relief, restraining orders, and orders of specific performance, including injunctive relief pertaining to Franchisee's use or misuse of the System, Proprietary Marks, or Confidential Information, or impermissible competition, prior to or after the expiration or earlier termination of this Agreement. The parties hereto agree that seeking and obtaining such relief will not waive the parties' agreements to arbitrate.

17.5 Limitation of Actions. Except with regard to claims related to Franchisee's obligations to make payments to Daddy's Chicken Shack pursuant to this Agreement, Franchisee's indemnification obligations, and claims related to unauthorized use of the Proprietary Marks or Confidential Information (all of which claims will be subject only to the applicable state or federal statute of limitations), any and all claims and actions arising out of or relating to this Agreement (including the offer and sale of this Agreement), the Franchise relationship, or Franchisee's operation of the Restaurant (including any defenses and any claims of set-off or recoupment) shall be irrevocably barred unless brought or asserted before the expiration of the earlier of (A) the time period for bringing an action under any applicable state or federal statute of limitations; (B) one (1) year after the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim; or (C) two (2) years after the first act or omission giving rise to an alleged claim.

17.6 Waiver of Damages. Except with respect to the exclusions set forth in this Section 17.6, to the fullest extent permitted by applicable law and as provided below, Daddy's Chicken Shack, Franchisee, and Franchisee's owners waive to the fullest extent permitted by law any right to or claim of any punitive, exemplary, treble, incidental, indirect, consequential, or other similar damages against Daddy's Chicken Shack, Franchisee, any of their respective affiliates, owners, officers, directors, shareholders, partners, agents, representatives, independent contractors, servants, and employees, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort, statutory or otherwise). However, the foregoing waiver will not apply to any claim (a) by any party for attorneys' fees or costs and expenses under this Agreement; (b) for any damages whatsoever, including, without limitation, consequential damages, for adverse harm to the Proprietary Marks or the System; or (c) indemnification and damages for any third-party claims arising under Section 16.1.3. Notwithstanding anything to the contrary in this Agreement, if any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions of limited waiver by agreement of punitive, exemplary, incidental, indirect, or consequential damages will continue in full force and effect.

17.7 Waiver of Jury Trial. The parties hereto irrevocably waive trial by jury in any action, proceeding, or counterclaim in connection with any matter or dispute of any kind arising under or in any way connected with this Agreement or any right or remedy hereunder, whether at law or in equity, brought by either party hereto.

## **18. TIME IS OF THE ESSENCE**

As to all reports and fees payable to or to be made to Daddy's Chicken Shack and any inspections initiated by Daddy's Chicken Shack under Section 5.14, time shall be of the essence.

## **19. APPROVALS, WAIVERS, AND BINDING EFFECTS**

19.1 Approvals. Whenever this Agreement requires Daddy's Chicken Shack's prior approval or consent, Franchisee shall make a timely written request to Daddy's Chicken Shack for the approval or consent, which Daddy's Chicken Shack shall grant, if at all, only in writing.

19.2 Waivers. Except as set forth in this Agreement, no rights or remedies set forth in this Agreement shall exclude any other right or remedy allowed by law or in equity. No failure by any party to this Agreement to take action on account of any default by any other party, or to exercise any right hereunder, whether in a single instance or repeatedly, shall constitute a waiver of any such default or right or the performance required of such other party. No waiver by a party of any covenant or condition or breach of any covenant or condition of this Agreement shall constitute a waiver of any subsequent breach or nonobservance on any other occasion of the same or any other covenant or condition of this Agreement.

Subsequent acceptance by Daddy's Chicken Shack of payments due it shall not constitute a waiver by Daddy's Chicken Shack of any prior breach.

19.3 Binding Effect; No Other Rights. This Agreement shall bind the parties and their respective executors, administrators, successors, and assigns. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Daddy's Chicken Shack, and such of the parties' respective successors and assigns as may be contemplated (and, as to Franchisee, permitted) by Sections 12.1 and 12.3 above, any rights or remedies under or by reason of this Agreement.

## 20. NOTICES

20.1 Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, a recognized overnight delivery service (e.g., UPS, FedEx, etc.), or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses below, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

Daddy's Chicken Shack: Daddy's Chicken Shack Franchising, LLC  
480 East Happy Canyon Road  
Castle Rock, Colorado 80108  
Attn: Tony Adams, President  
[tony.adams@daddysfranchising.com](mailto:tony.adams@daddysfranchising.com)

Franchisee: Franchisee's notice address set forth on  
**Exhibit A** to this Agreement

## 21. FORCE MAJEURE

Neither Daddy's Chicken Shack nor Franchisee will be liable for loss or damage or deemed to be in breach of this Agreement if performance is rendered impossible or commercially impractical by a Force Majeure Event (defined below). Any delay resulting from any Force Majeure Event will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable in the judgment of the Party to whom performance is owed, except no Force Majeure Event will operate to excuse Franchisee from the prompt payment of any fee or other amount due to Daddy's Chicken Shack or its affiliates under this Agreement. Franchisee or Daddy's Chicken Shack will, within five (5) days of the occurrence of the Force Majeure Event, give a written notice to the other party stating the nature of the Force Majeure Event, its anticipated duration, and any action being taken to avoid or minimize its effect. Any suspension of performance will be of no greater scope and of no longer duration than is reasonably required; provided, however, if the suspension of performance continues for ninety (90) days from the date of the occurrence and such failure to perform would constitute an event of default of this Agreement in the absence of such Force Majeure Event, Daddy's Chicken Shack may, subject to any applicable franchise relationship law, terminate this Agreement immediately by giving written notice to Franchisee. As used in this Agreement, "**Force Majeure Event**" means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire, or other natural catastrophe); strikes, lockouts, or other industrial disturbances; war (declared or undeclared), riot, terrorist act, or other civil disturbances; cybersecurity incidents; epidemics; pandemics; public health emergencies; governmental action; or any other cause that is beyond the reasonable control of the party affected thereby and that materially and adversely affects the ability of such party to perform. Financial inability of a party hereto will not constitute a Force Majeure Event.

## 22. IMMUNITY FOR CERTAIN LIMITED DISCLOSURES

Notwithstanding anything in this Agreement to the contrary, Franchisee and its affiliates may, in accordance with any applicable law, including the federal Defend Trade Secrets Act, disclose Confidential Information, including Daddy's Chicken Shack's trade secrets: (a) in confidence, to federal, state, or local government officials, or to an attorney of Franchisee, for the sole purpose of reporting or investigating a suspected violation of law; or (b) in a document filed in a lawsuit or other legal proceeding, but only if the filing is made under seal and protected from public disclosure. Nothing in this Agreement is intended to conflict with any applicable law or create liability for disclosures expressly allowed by law.

## 23. ENTIRE AGREEMENT AND AMENDMENT

This Agreement and the exhibits referred to in this Agreement constitute the entire, full, and complete agreement between Daddy's Chicken Shack and Franchisee concerning the Agreement's subject matter, and supersede any and all prior or contemporaneous negotiations, discussions, understandings, and agreements. There are no other oral or written understandings or agreements between Daddy's Chicken Shack and Franchisee relating to the subject matter of this Agreement. However, and notwithstanding the foregoing, nothing in this Franchise Agreement is intended to disclaim any representations made by Daddy's Chicken Shack in the Franchise Disclosure Document that Daddy's Chicken Shack furnished to Franchisee, if any. Except for those permitted to be made unilaterally by Daddy's Chicken Shack hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. The System and Manuals are subject to change by Daddy's Chicken Shack at any time, at Daddy's Chicken Shack's option.

## 24. SEVERABILITY; ENFORCEMENT OF COVENANTS; CONSTRUCTION

24.1 Severability. If any of the provisions of this Agreement may be construed in more than one way, one of which would render the provision illegal or otherwise voidable or unenforceable, such provision shall have the meaning which renders it valid and enforceable. The language of all provisions of this Agreement shall be construed according to its fair meaning and not strictly against any party. In the event any court or other government authority shall determine that any provision in this Agreement is not enforceable as written, the parties agree that the provision shall be amended so that it is enforceable to the fullest extent permissible under the laws and public policies of the jurisdiction in which enforcement is sought and affords the parties the same basic rights and obligations and has the same economic effect. If any provision in this Agreement is held invalid or otherwise unenforceable by any court or other government authority or in any other proceeding, such findings shall not invalidate the remainder of the Agreement.

24.2 Enforceability of Covenants. Franchisee agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unenforceable in a final decision to which Daddy's Chicken Shack and Franchisee are a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

24.3 Construction. All captions and headings in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision. Each pronoun used in this Agreement shall include the other numbers and genders, as appropriate. The words “**include**” and “**including**” will be construed to include the words “**without limitation.**”

## **25. JOINT AND SEVERAL OBLIGATION**

If Franchisee consists of more than one person or entity, each person and entity shall have joint and several liability for Franchisee's obligations under this Agreement.

## **26. INCORPORATION OF EXHIBITS**

All exhibits referred to in this Agreement constitute an integral part of this Agreement.

## **27. COUNTERPARTS**

This Agreement may be executed in any number of counterparts each of which when so executed will be an original, but all of which together will constitute one (1) and the same instrument.

## **28. SURVIVAL OF PROVISIONS**

All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, shall so survive the expiration and/or termination of this Agreement.

## **29. REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGMENTS**

29.1 Franchisee represents, warrants, and acknowledges to Daddy's Chicken Shack as follows:

29.1.1 Independent Investigation. Franchisee has conducted an independent investigation of the business contemplated by this Agreement.

29.1.2 Receipt of Documents. Franchisee acknowledges receipt of a copy of this Agreement, the exhibit(s) hereto, and agreements relating hereto, if any, with all of the blank lines therein filled in, at least seven (7) days prior to the date on which this Agreement was executed. Franchisee further acknowledges receipt of the franchise disclosure document required by the Federal Trade Commission's Franchise Rule at least fourteen (14) days prior to the date on which this Agreement was executed.

29.1.3 Modification of Offers. Franchisee understands that present and future franchisees of Daddy's Chicken Shack may operate under different forms of agreements and, consequently, the obligations and rights of the parties to those agreements may differ materially from the obligations and rights contained in this Agreement. Franchisee also acknowledges and agrees that Daddy's Chicken Shack may modify the offer of Daddy's Chicken Shack franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

29.1.4 No Other Obligations. Each party represents and warrants to the others that his/her/its execution of this Agreement and all exhibits and addenda hereto do not violate or breach any other agreement, contract, or covenant to which such party is bound, and further represents and warrants to the other parties that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

29.1.5 Restaurant Location. Franchisee acknowledges having sole and complete responsibility for the choice of the location of the Restaurant, and that Daddy's Chicken Shack has not (and



shall not be deemed to have, even by Daddy’s Chicken Shack’s approval of the location) given any representation, promise, or guarantee of Franchisee’s success at the location.

29.1.6 Compliance With Anti-Terrorism Laws and Other Laws. Franchisee and its owners represent and warrant to Daddy’s Chicken Shack that: (a) neither Franchisee nor any of its owners have made any untrue statement of any material fact nor omitted to state any material fact in Franchisee and their franchise application and other documents and information submitted to Daddy’s Chicken Shack, or in obtaining the rights granted herein; (b) neither Franchisee nor any of its owners have any direct or indirect legal or beneficial interest in any business that may be deemed a Competitive Business, except as otherwise completely and accurately disclosed in Franchisee’s franchise application materials; (c) Franchisee and its owners have a legal right to own and operate the Restaurant, and the owner or officer that executes this Franchise Agreement on Franchisee’s behalf has all legal right an authority to execute on Franchisee’s behalf and to legally and contractually bind Franchisee; and (d) neither Franchisee nor its owners (i) have been designated as suspected terrorists under U.S. Executive Order 13244; (ii) is identified, either by name or an alias, pseudonym or nickname, on the lists of “Specially Designated Nationals” or “Blocked Persons” maintained by the U.S. Treasury Department’s Office of Foreign Assets Control (texts currently available at <https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx/>); (iii) have not violated and will not violate any law (in effect now or which may become effective in the future) prohibiting corrupt business practices, money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government, including acts prohibited by the U.S. Patriot Act (text currently available at <http://www.epic.org/privacy/terrorism/hr3162.html>), U.S. Executive Order 13244 (text currently available at <http://www.treas.gov/offices/enforcement/ofac/sanctions/terrorism.html>), the Foreign Corrupt Practices Act, or any similar law.

### 30. BUSINESS JUDGMENT

Franchisee understands and agrees that Daddy’s Chicken Shack may operate and change the System in any manner that is not expressly and specifically prohibited by this Agreement. Whenever Daddy’s Chicken Shack has expressly reserved in this Agreement or is deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, Daddy’s Chicken Shack may make such decision or exercise its right and/or discretion on the basis of Daddy’s Chicken Shack’s sole judgment of what is in the best interest of Daddy’s Chicken Shack and the System and brand overall, including Daddy’s Chicken Shack, its affiliates, and the franchise network, at the time Daddy’s Chicken Shack’s decision is made or Daddy’s Chicken Shack’s right or discretion is exercised, without regard to whether: (1) other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by Daddy’s Chicken Shack; (2) Daddy’s Chicken Shack’s decision or the action taken promotes Daddy’s Chicken Shack’s financial or other individual interest; (3) Daddy’s Chicken Shack’s decision or the action it takes applies differently to Franchisee and one or more other franchisees or company-owned or affiliate-owned Daddy’s Chicken Shack Restaurants; or (4) Daddy’s Chicken Shack’s decision or the exercise of its right or discretion is adverse to Franchisee’s interests. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Daddy’s Chicken Shack and Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with the express wording of the terms of this Agreement and that this Agreement grants Daddy’s Chicken Shack the right to make decisions, take actions, and/or refrain from taking actions not inconsistent with Franchisee’s rights and obligations hereunder.

[Signature Page Follows]

Executed as of the day and year first set forth above.

Franchisor:

Daddy's Chicken Shack Franchising, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Franchisee:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT A**

**IDENTIFICATION OF FRANCHISEE**

1. Name of Franchisee: \_\_\_\_\_
2. Type of Entity/State of Formation \_\_\_\_\_ / \_\_\_\_\_
3. Principal Business Address of Franchisee: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
E-Mail: \_\_\_\_\_
4. Notice Address of Franchisee: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
E-Mail: \_\_\_\_\_
5. Location of Restaurant: \_\_\_\_\_  
\_\_\_\_\_
6. Designated Area: \_\_\_\_\_  
(subject to Section 1.2) \_\_\_\_\_  
of the Franchise Agreement) \_\_\_\_\_
7. Date of Opening: \_\_\_\_\_

## **EXHIBIT B**

### **SITE SELECTION ADDENDUM**

Daddy's Chicken Shack Franchising, LLC ("**Daddy's Chicken Shack**"), a \_\_\_\_\_ limited liability company, and the undersigned (the "**Franchisee**") have this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the "**Effective Date**") entered into a Daddy's Chicken Shack Franchise Agreement ("**Franchise Agreement**") and desire to supplement its terms as set out below in this Site Selection Addendum (this "**Site Selection Addendum**").

#### **Agreement**

**1. Time to Locate Site.** Within one hundred eighty days (180) days after the Effective Date (the "**Search Period**"), Franchisee shall acquire or lease/sublease, at Franchisee's expense, commercial real estate that is properly zoned for the use of the business to be conducted by Franchisee under the Franchise Agreement (a "**Restaurant**") and open and begin operating the Restaurant at a site consented to by Daddy's Chicken Shack as hereinafter provided. Such location shall be within the following area: \_\_\_\_\_ (the "**Site Selection Area**"). The Site Selection Area is described solely for the purpose of selecting a site for the Restaurant. Franchisee shall not establish a Daddy's Chicken Shack Restaurant operating under the System within the Site Selection Area until Daddy's Chicken Shack consents to a location for the Restaurant. Notwithstanding anything to the contrary in the Franchise Agreement, if a suitable site has not been identified and consented to by the end of the Search Period, Daddy's Chicken Shack may, at its option, extend the Search Period by up to sixty (60) days. Franchisee acknowledges and agrees that Daddy's Chicken Shack shall have no responsibility for, or liability to Franchisee for, any site review, analysis, evaluation, or recommended undertaken by or on behalf of any real estate broker or advisor used or retained by Franchisee. Failure by Franchisee to acquire or lease an approved site for the Restaurant within the Search Period shall constitute a default under Section 13 of the Franchise Agreement and under this Addendum, and Daddy's Chicken Shack may terminate the Franchise Agreement and this Addendum, pursuant to the terms of Section 13 of the Franchise Agreement.

**2. Site Evaluation Services.** Daddy's Chicken Shack shall furnish to Franchisee suggested site selection criteria, which is currently reflected in advice based on site and demographic factors, and will include Daddy's Chicken Shack's minimum standards for a location for the Restaurant. Daddy's Chicken Shack will also provide such site selection counseling and assistance as Daddy's Chicken Shack may deem advisable. Daddy's Chicken Shack shall perform any on-site evaluation as Daddy's Chicken Shack may deem advisable in response to Franchisee's requests for site approval; provided, however, that Daddy's Chicken Shack shall not be required to provide on-site evaluation for any proposed site. If on-site evaluation is deemed necessary and appropriate by Daddy's Chicken Shack (on its own initiative or at Franchisee's request) for any Restaurant to be established, Franchisee shall reimburse Daddy's Chicken Shack for all reasonable expenses incurred by Daddy's Chicken Shack in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging, and meals.

**3. Additional Site Evaluation Services.** Daddy's Chicken Shack recommends, but does not require, that Franchisee engage the services of a third-party real estate or site evaluation professional or business, to assist with the analysis and evaluation of a particular site, and/or to utilize competitive sales data from a third-party. Franchisee acknowledges and agrees that any site evaluation model or service is only one tool or factor that may be used to evaluate a potential site, and it is not a predictor of future sales. Further, Franchisee acknowledges that Daddy's Chicken Shack does not represent or guarantee that any particular site will achieve any level of sales, revenues or profits.

**4. Site Selection Package Submission and Approval.** Franchisee shall submit to Daddy's Chicken Shack, in the form specified by Daddy's Chicken Shack, such site approval forms and data that Daddy's Chicken Shack may specify, which may include a copy of the site plan, financial information, and such other information or materials as Daddy's Chicken Shack may reasonably require, together with an option contract, letter of intent or other evidence satisfactory to Daddy's Chicken Shack which confirms Franchisee's favorable prospects for obtaining the site. Franchisee acknowledges that time is of the essence. Daddy's Chicken Shack shall have thirty (30) days after receipt of a complete site selection package and request for approval and such information and materials as Daddy's Chicken Shack may request to approve or disapprove the proposed site in writing as the location for the Restaurant, at Daddy's Chicken Shack's sole option. If Daddy's Chicken Shack does not approve a proposed site in writing within such 30-day period, the proposed site will be deemed disapproved.

**5. Lease Responsibilities.** Within sixty (60) days after site approval by Daddy's Chicken Shack, Franchisee shall execute a lease which shall be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Daddy's Chicken Shack's approval of any lease is conditioned upon inclusion in the lease of the Addendum to Lease attached to the Franchise Agreement as **Exhibit G**. However, Daddy's Chicken Shack shall not be responsible for review of the Lease for any terms other than those contained in the Addendum to Lease.

**6. Approved Location.** After the location for the Restaurant is consented to by Daddy's Chicken Shack pursuant to Section 4 hereof and leased or acquired by Franchisee pursuant to Section 5 hereof, the location shall constitute the approved location described in Section 1.1 of the Franchise Agreement. The Location shall be specified on **Exhibit A** to the Franchise Agreement, and shall become a part the Franchise Agreement. The Designated Area, as defined under Section 1.2 of the Franchise Agreement, shall be the geographic area thereafter described in **Exhibit A** to the Franchise Agreement, and shall become a part of the Franchise Agreement. Franchisee hereby acknowledges and agrees that consent by Daddy's Chicken Shack of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Restaurant or for any other purpose. Consent by Daddy's Chicken Shack of the site indicates only that Daddy's Chicken Shack believes the site complies with acceptable minimum criteria established by Daddy's Chicken Shack solely for its purposes as of the time of the evaluation. Both Franchisee and Daddy's Chicken Shack acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to approval by Daddy's Chicken Shack of a site and demographic factors, such as competition from other similar businesses, included in or excluded from criteria used by Daddy's Chicken Shack could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Daddy's Chicken Shack. Daddy's Chicken Shack shall not be responsible for the failure of a site approved by Daddy's Chicken Shack to meet Franchisee's expectations as to revenue or operational criteria. Franchisee further acknowledges and agrees that its acceptance of a franchise for the operation of the Restaurant at the site is based on its own independent investigation of the suitability of the site.

**7. Entire Agreement.** This Addendum shall be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum shall be controlling with respect to the subject matter hereof. All capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Franchise Agreement. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

[Signature Page Follows]

Executed as of the day and year first set forth above.

Exhibit C

B-2

Franchisor:

Daddy's Chicken Shack Franchising, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Franchisee:

\_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT C**

**AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS  
(DIRECT DEBITS)**

The undersigned depositor (“**Depositor**”) hereby authorizes Daddy’s Chicken Shack Franchising, LLC (“**Daddy’s Chicken Shack**”) to initiate debit entries and/or credit correction entries to the Depositor’s checking and/or savings account(s) indicated below and the depository (“**Depository**”) to debit such account pursuant to Daddy’s Chicken Shack’s instructions.

\_\_\_\_\_  
Depository

\_\_\_\_\_  
Branch

\_\_\_\_\_  
Street Address, City, State, Zip Code

\_\_\_\_\_  
Bank Transit/ABA Number

\_\_\_\_\_  
Account Number

This authority is to remain in full force and effect until Depository has received joint written notification from Daddy’s Chicken Shack and Depositor of the Depositor’s termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity to act on it. Notwithstanding the foregoing, Depository shall provide Daddy’s Chicken Shack and Depositor with 30 days’ prior written notice of the termination of this authority. If an erroneous debit entry is initiated to Depositor’s account, Depositor shall have the right to have the amount of such entry credited to such account by Depository, if within 15 calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to such entry or 45 days after posting, whichever occurs first, Depositor shall have sent to Depository a written notice identifying such entry, stating that such entry was in error and requesting Depository to credit the amount thereof to such account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

\_\_\_\_\_  
Depositor

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT D**

**STATEMENT OF OWNERSHIP INTERESTS**

The following is a list of all of Franchisee’s owners, the percentage of their ownership interest and a description of the nature of their ownership interest:

Effective Date: This **Exhibit D** is current and complete  
as of \_\_\_\_\_, 20\_\_

Franchisee and Its Owners

1. Form of Franchisee Entity.

(a) Individual Proprietorship. Franchisee’s owner(s) (is) (are) as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(b) Corporation, Limited Liability Company, or Partnership. The Franchisee entity was incorporated or formed on \_\_\_\_\_, under the laws of the State of \_\_\_\_\_. It has not conducted business under any name other than the corporate, limited liability company, or partnership name and \_\_\_\_\_. The following is a list, as applicable, of the Franchisee’s partners, directors, officers and/or members as of the effective date shown above:

<u>Name of Each Director/Officer/Member/Manager</u>	<u>Position(s) Held</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

2. Owners. The following list includes the full name of each person who is one of Franchisee’s owners (as defined in the Franchise Agreement), or an owner of one of Franchisee’s owners, and fully describes the nature of each owner’s interest (attach additional pages if necessary).



	<u>Owner's Name/Address/Tax Identification No.</u>	<u>Percentage/Description of Interest</u>
(a)	_____	_____
	_____	_____
	_____	
	_____	
(b)	_____	_____
	_____	_____
	_____	
	_____	
(c)	_____	_____
	_____	_____
	_____	
	_____	
(d)	_____	_____
	_____	_____
	_____	
	_____	

3. Operating Principal. Franchisee's Operating Principal as of the Effective Date is \_\_\_\_\_ (must be one of the individuals listed in Paragraph 2 above). Franchisee may not change the Operating Principal without Franchisor's prior written approval.

Franchisee:

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

## EXHIBIT E

### GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to Daddy's Chicken Shack, LLC ("**Daddy's Chicken Shack**" or "**Franchisor**") to execute the Daddy's Chicken Shack Franchise Agreement between Daddy's Chicken Shack and \_\_\_\_\_ ("**Franchisee**"), dated \_\_\_\_\_, 20\_\_ (the "**Agreement**"), the undersigned jointly and severally, hereby unconditionally guarantee to Daddy's Chicken Shack and its successors and assigns that all of Franchisee's monetary and other obligations under the Agreement will be punctually paid and performed.

The undersigned each jointly and severally agree to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement and its related agreements. Upon demand by Daddy's Chicken Shack, the undersigned each hereby jointly and severally agree to immediately make each payment required of Franchisee under the Agreement and waive any right to require Daddy's Chicken Shack to: (a) proceed against Franchisee for any payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; or (d) give notice of demand for payment by Franchisee. Without affecting the obligations of the undersigned under this Guarantee, Daddy's Chicken Shack may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee, and the undersigned each hereby jointly and severally waive notice of same and agree to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned each hereby jointly and severally agree to defend, indemnify, and hold Daddy's Chicken Shack harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement, any amendment thereto, or any other agreement executed by Franchisee referred to therein.

The undersigned each hereby jointly and severally acknowledge and expressly agree to be individually bound by, and personally liable for the breach of, all of the covenants and obligations contained in Sections 8, 9, 10, 12, 14, and 17 of the Agreement, and acknowledge and agree that this Guarantee does not grant the undersigned any right to use the "Daddy's Chicken Shack" Marks or System licensed to Franchisee under the Agreement.

This Guarantee shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

If Daddy's Chicken Shack is required to enforce this Guarantee in a judicial or arbitration proceeding, and prevails in such proceeding, Daddy's Chicken Shack shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys'

assistants', arbitrators', and expert witness fees, costs, and expenses, costs of investigation and proof of facts, court costs, other litigation expenses, travel and living expenses, and interest, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If Daddy's Chicken Shack is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guarantee, the undersigned shall reimburse Daddy's Chicken Shack for any of the above-listed costs and expenses Daddy's Chicken Shack incurs.

Subject to the obligations and provisions below, each of the undersigned agrees that all actions arising under this Guarantee or the Agreement, or otherwise as a result of the relationship between Daddy's Chicken Shack and the undersigned, shall be governed by the provisions of Section 17 of the Agreement, and must be commenced in the state or federal court encompassing Castle Rock, Colorado, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that Daddy's Chicken Shack may enforce this Guarantee and any orders and awards in the courts of the state or states in which he or she is domiciled.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 17 of the Agreement. This Guarantee shall be interpreted and construed under the laws of the State of Colorado. In the event of any conflict of law, the laws of the State of Colorado shall prevail (without regard to, and without giving effect to, the application of Colorado conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Agreement.

GUARANTOR(S)

(Seal)

Signed: \_\_\_\_\_  
(In his/her individual capacity)

Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

(Seal)

Signed: \_\_\_\_\_  
(In his/her individual capacity)

Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

(Seal)

Signed: \_\_\_\_\_  
(In his/her individual capacity)

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

## EXHIBIT F

### NON-DISCLOSURE AGREEMENT

THIS NON-DISCLOSURE AGREEMENT (“Agreement”) is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between \_\_\_\_\_ (the “Franchisee”), and \_\_\_\_\_, who is an owner, manager, supervisor, member, partner, or a person in a managerial position with, Franchisee (the “Obligee”).

#### BACKGROUND:

A. Daddy’s Chicken Shack Franchising, LLC (“**Daddy’s Chicken Shack**”), as the result of the expenditure of significant time, skill, effort, and money, has developed a distinctive and proprietary system (the “**Daddy’s Chicken Shack System**” or “**System**”) for establishing and operating restaurant businesses, which specialize in the sale of chicken menu items, such as fried and grilled chicken sandwiches, chicken and waffles, sliders, wings tenders and popcorn chicken, along with a breakfast offering, side items, beverages and desserts and such additional or alternate menu and other items as Daddy’s Chicken Shack may designate from time to time for on-premises and off-premises consumption (“**Menu Items**”);

B. Daddy’s Chicken Shack and Franchisee have executed a Franchise Agreement (“**Franchise Agreement**”) granting Franchisee the right to operate one (1) Daddy’s Chicken Shack restaurant (the “**Restaurant**”) and to produce and distribute products and services approved by Daddy’s Chicken Shack and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement;

C. The Obligee, by virtue of his or her position with Franchisee, will gain access to certain of Daddy’s Chicken Shack’s Confidential Information, as defined herein, and must therefore be bound by the same confidentiality agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

1. Confidential Information. Obligee shall not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, trade secrets, knowledge, or know how concerning the methods of operation of the Restaurant which may be communicated to Obligee or of which Obligee may be apprised by virtue of Franchisee’s operation under the terms of this Agreement. Any and all information, knowledge, know how, and techniques which Daddy’s Chicken Shack designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Obligee can demonstrate came to its attention prior to disclosure thereof by Daddy’s Chicken Shack; or which, at or after the time of disclosure by Daddy’s Chicken Shack to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others. Notwithstanding any other provision of this Agreement, there may be certain, limited circumstances where applicable law allows for the disclosure of certain trade secrets, as specified in the Manuals.

2. Injunctive Relief. Obligee acknowledges that any failure to comply with the requirements of this Agreement will cause Daddy’s Chicken Shack irreparable injury, and Obligee agrees to pay all court

costs and reasonable attorney’s fees incurred by Daddy’s Chicken Shack in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

3. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, shall be held invalid by any court of competent jurisdiction for any reason, then the Obligees agree that the court shall have the authority to reform and modify that provision in order that the restriction shall be the maximum necessary to protect Daddy’s Chicken Shack’s and/or Franchisee’s legitimate business needs as permitted by applicable law and public policy. In so doing, the Obligees agree that the court shall impose the provision with retroactive effect as close as possible to the provision held to be invalid.

4. Delay. No delay or failure by Daddy’s Chicken Shack or the Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

5. Jurisdiction, Venue and Choice of Law. This Agreement shall be interpreted and construed in accordance with, and any disputes arising under or in connection with this Agreement will be governed by, with the laws of the State of Colorado, without regard to its conflicts of laws provisions. The parties agree that an action arising out of, related to, or seeking to enforce this Agreement may be brought in federal or state court encompassing Castle Rock, Colorado, and the parties express consent to and waive any objections or challenges to personal jurisdiction and venue in such court.

6. Third-Party Beneficiary. Obligees hereby acknowledges and agrees that Daddy’s Chicken Shack is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

**IN WITNESS WHEREOF**, the Franchisee and the Obligees attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this day of \_\_\_\_\_, 20\_\_.

FRANCHISEE

OBLIGEE

\_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

## EXHIBIT G

### ADDENDUM TO LEASE

THIS ADDENDUM TO LEASE is made and entered into as of \_\_\_\_\_, 20\_\_ by and among \_\_\_\_\_ (the “**Landlord**”), \_\_\_\_\_ (the “**Tenant**”), and Daddy’s Chicken Shack Franchising, LLC, a Delaware limited liability company (“**Daddy’s Chicken Shack**,” “**we**,” “**us**” or “**our**”).

#### RECITALS:

A. This Addendum to Lease supplements and forms part of the attached Lease Agreement between the Landlord and the Tenant dated \_\_\_\_\_ (the “**Lease**”) for the premises situated at the premises known by street address as \_\_\_\_\_ (the “**Premises**”) to be used by the Tenant as part of a Daddy’s Chicken Shack Restaurant.

B. This Addendum to Lease is entered into in connection with Daddy’s Chicken Shack’s approval of the location of the Premises as a Daddy’s Chicken Shack Restaurant and the grant of a franchise to the Tenant pursuant to a Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the “**Franchise Agreement**”).

C. This Addendum to Lease is intended to make Daddy’s Chicken Shack, or any party it designates, a third party beneficiary to the Lease and to provide Daddy’s Chicken Shack the opportunity to reserve the Premises as a Daddy’s Chicken Shack Restaurant under the circumstances set out below.

D. The Landlord agrees that Daddy’s Chicken Shack shall have the right but not the obligation to (1) cure defaults of Tenant and (2) to assume the Lease of the Premises on the terms, covenants and conditions contained in this Addendum to Lease.

#### THE PARTIES HEREBY AGREE:

#### 1. UPON DEFAULT OF TENANT UNDER THE LEASE

1.1 The Landlord agrees to send to us copies of any notices of default that are given to the Tenant concurrently with the giving of such notices to the Tenant. Our current notice address is Daddy’s Chicken Shack Franchising, LLC, 480 E. Happy Canyon Road, Castle Rock, Colorado 80108, Attn: Tony Adams. If the Tenant fails to cure any defaults within the period specified within the notices, the Landlord shall promptly give to us further written notice (“**second notice**”) specifying the defaults that the Tenant has failed to cure. We shall have forty-five (45) days following receipt of the second written notice to (a) cure the default or (b) to exercise our right to enter a new Lease on the same terms as apply to the Lease or Deed of Lease by written notice to the Landlord and the Tenant. In the event that we do exercise the right to enter into a new Lease, then the circumstances described in clause 1.2 below shall apply.

1.2 We shall begin paying rent upon the Landlord delivering possession of the Premises to us pursuant to Section 1.1 above.

## 2. UPON TERMINATION OF THE FRANCHISE AGREEMENT

If the Franchise Agreement is terminated for any reason or expires during the term of the Lease or any extension or renewal of the Lease, and if we shall desire to assume the Lease, we shall promptly give the Landlord written notice to this effect.

## 3. UPON NON-RENEWAL OF THE LEASE TERM

If the Lease contains term renewal or extension right(s) and if the Tenant allows the term to expire without exercising such right(s), the Landlord shall give us written notice to this effect and we shall have the option for thirty (30) days following receipt of such notice to exercise the Tenant's renewal or extension right(s) on the same terms and conditions as are contained in the Lease. If we elect to exercise such right(s) we shall notify the Landlord in writing whereupon we and the Landlord shall promptly execute and exchange an agreement whereby we assume the Lease effective at the date of termination of any holding over period by the Tenant to the effect that such extension or renewal term shall have subtracted from it the number of days constituting such holding over period.

## 4. ADDITIONAL PROVISIONS

4.1 The Tenant agrees that termination of the Franchise Agreement shall be a default under the Lease. In the event of termination of the Franchise Agreement, or if the Tenant fails to timely cure any defaults under the Lease, the Tenant shall within ten (10) days after written demand by us, assign all of its right, title and interest in and to the Lease to us. If the Tenant fails to do so within ten (10) days, the Tenant hereby designates us as its agent to execute any and all documents, agreements and to take all action as may be necessary or desirable to effect the assignment of the Lease and the relinquishment of any and all of the Tenant's rights thereunder. The Landlord hereby consents to such assignment subject to us executing an assignment of the Lease. The Tenant further agrees to promptly and peaceably vacate the Premises and to remove its personal property at our written request. Any property not so removed by the Tenant within ten (10) days following receipt of such written request shall be deemed abandoned by the Tenant and immediately and permanently relinquished to us. We acknowledge that where we enter into an assignment or sub-letting as referred to in clause 4.4 below we will attempt to procure, if the assignee is a company (other than a listed public company) a Deed of Guaranty, Indemnification, and Acknowledgement in customary form approved or prepared by the landlord from the principal shareholders of the assignee company and (if required by the landlord) by the Directors of the assignee company.

4.2 The Tenant shall be and remain liable to the Landlord for all of its obligations under the Lease, notwithstanding any assignment of the Lease to us. We shall have no obligation, as a condition to assume the Lease, to pay any delinquent rent or to cure any other default under the Lease that occurred or existed prior to the date of the assignment. We shall be entitled to recover from the Tenant all amounts it pays to the Landlord to cure the Tenant's defaults under the Lease including interest thereon and our reasonable collection costs.

4.3 After we assume the Tenant's interest under the Lease, we may, at any time, sublet the Premises without having to obtain the prior written consent of the Landlord.

4.4 After we assume the Tenant's interest under the Lease, we may, at any time, assign or sublet our interest under the Lease to a third party, which may or may not be an operator of a Daddy's Chicken Shack Restaurant, but only with the prior written consent of the Landlord and the usual provisions of the Lease concerning consent shall apply. Upon receipt by the Landlord of an assignment agreement pursuant to which the assignee agrees to assume the Lease and to observe the terms, conditions and agreements on the part of the tenant to be performed under the Lease, we shall thereupon be released from



all liability as tenant under the Lease from and after the date of assignment, without any need of a written acknowledgment of such release by the Landlord.

4.5 If the Lease or Franchise Agreement is terminated and we elect not to exercise our option as described above, the Tenant agrees, upon written demand by us, to de-identify the Premises as a Daddy’s Chicken Shack Restaurant and to promptly remove signs, decor and other items which we reasonably request be removed as being distinctive and indicative of a Daddy’s Chicken Shack Restaurant. We may enter upon the Premises without being guilty of trespass or tort to effect de-identification if the Tenant fails to do so within ten (10) days after receipt of written demand from us, following termination of the Franchise Agreement or Lease. The Tenant shall pay us for our reasonable costs and expenses in effecting the de-identification. The Landlord shall not be obligated to us for such costs unless the Landlord and the Tenant share one (1) or more common owners, partners, beneficiaries or shareholders (as the case may be). The Tenant agrees and accepts that its obligations to the Landlord in respect to the provisions of the Lease concerning the removal of signage and additions and alterations at the termination of the Lease subsist notwithstanding the right made available to us pursuant to this clause.

4.6 BY EXECUTING THIS ADDENDUM TO THE LEASE, WE DO NOT ASSUME ANY LIABILITY WITH RESPECT TO THE PREMISES OR ANY OBLIGATION AS TENANT UNDER THE LEASE UNLESS AND UNTIL WE EXPRESSLY ASSUME SUCH LIABILITY AND/OR OBLIGATION AS DESCRIBED ABOVE BY EXECUTING A NEW LEASE.

4.7 All notices pursuant to this Addendum to Lease shall be in writing and shall be personally delivered, sent by registered mail or reputable overnight delivery service or by other means which afford the sender evidence of delivery or rejected delivery to the addresses below or to such other address as any party to this Addendum to Lease may, either by written notice, instruct that notices be given.

EXECUTED by the parties as follows:

SIGNED by \_\_\_\_\_  
as Landlord by its \_\_\_\_\_  
in the presence of: \_\_\_\_\_  
(Name of Signatory)  
Title: \_\_\_\_\_

SIGNED by \_\_\_\_\_  
as Tenant by its \_\_\_\_\_  
in the presence of: \_\_\_\_\_  
(Name of Signatory)  
Title: \_\_\_\_\_

SIGNED by Daddy’s Chicken Shack Franchising, LLC  
by its duly authorized officer in the  
presence of: \_\_\_\_\_  
(Name of Signatory)  
Title: \_\_\_\_\_

Addresses for Notices:

Landlord:

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Tenant:

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**EXHIBIT D**  
**TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**STATE SPECIFIC ADDENDA**

## CALIFORNIA

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the Disclosure Document.
2. Neither the franchisor, nor any person or franchise broker identified in Item 2 of this 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. 78a *et seq.*, suspending or expelling the person from membership in the association or exchange.
3. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.
4. 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.*)
5. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
6. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
7. The Franchise Agreement requires binding arbitration. The arbitration will occur in the Denver, Colorado metropolitan area, with each party paying their own costs, plus one-half the arbitrator's fees.
8. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professional 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.
9. The Franchise Agreement requires application of the laws of Colorado. This provision may not be enforceable under California Law.
10. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
11. You must sign a general release of claims if you renew or transfer your franchise. California corporations code §31512 voids a waiver of your rights under the franchise investment law (California corporations code §§31000 through 31516). Business and professions code §20010 voids a waiver of your rights under the franchise relations act (business and professions code §§20000 through 20043).

12. Under California Corporations Code Section 31512.1, any provision of a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:
  - A. Representations made by the franchisor or its personnel or agents to a prospective franchisee.
  - B. Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
  - C. Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.
  - D. Violations of any provision of this division.
13. 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.
14. Item 19 of the Disclosure Document is supplemented by the following language:

The earnings claims figure does not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.
15. Item 5 of the Disclosure Document and Section 3 of the Franchise Agreement are amended to state that the initial franchise fee and all other initial payments owed by franchisees to the Franchisor under the Franchise Agreement will be deferred until the Franchisor completes its pre-opening obligations under the Franchise Agreement and the outlet is opened for business.
16. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
17. OUR WEBSITE ([www.daddysfranchising.com](http://www.daddysfranchising.com)) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).
18. 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 AT LEAST 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.

**The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**

{See the last page of this **Exhibit D** for your Signature.}

## HAWAII

1. Release. The language contained in Section 2.2.7 of the Franchise Agreement is hereby deleted in its entirety and the following is substituted in its place:

Franchisee and Franchisor shall execute a mutual general release, in a form prescribed by Franchisor, of any and all claims which each may have against the other and their affiliates (except as to amounts then due to Franchisor for royalties, advertising contributions, materials, and the like), and their respective shareholders, directors, employees, and agents in their corporate and individual capacities, excluding only such claims as each may have that arise under the Hawaii Franchise Investment Law.

2. Conditions for Approval of Transfer. The language contained in Section 12.4 of the Franchise Agreement is hereby deleted in its entirety and the following is substituted in its place:

Franchisor and the transferor shall have executed a mutual general release, in a form prescribed by Franchisor, of any and all claims which each may have against the other and their affiliates, and their respective shareholders, directors, employees, and agents in their corporate and individual capacities, excluding only such claims as each may have that arise under the Hawaii Franchise Investment Law.

3. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
4. Item 5 of the Disclosure Document and Section 3 of the Franchise Agreement are amended to state that the initial franchise fee and all other initial payments owed by franchisees to the Franchisor under the Franchise Agreement will be deferred until the Franchisor completes its pre-opening obligations under the Franchise Agreement and the outlet is opened for business.

{See the last page of this **Exhibit D** for your Signature.}

## ILLINOIS

In recognition of the Illinois Franchise Disclosure Act and the Rules and Regulations promulgated thereunder, the Disclosure Document and Franchise Agreement shall be modified as follows:

1. Illinois law shall apply to and govern the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Franchisees' right upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. Item 5 of the Disclosure Document and Section 3 of the Franchise Agreement are amended to state that the initial franchise fee and all other initial payments owed by franchisees to the Franchisor under the Franchise Agreement will be deferred until the Franchisor completes its pre-opening obligations under the Franchise Agreement and the outlet is opened for business.

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

{See the last page of this **Exhibit D** for your Signature.}



## INDIANA

It is unlawful for any franchise agreement between any franchisor and a franchisee who is a resident of Indiana or a non-resident who is to operate the franchise in Indiana to contain a provision that requires a franchisee not to compete with the franchisor in an area greater than the exclusive territory granted in the franchise agreement or, if no exclusive territory is granted, in an area of more than reasonable size, upon Termination of a franchise agreement. (Ind. Code § 23-2-2.7-1(9)). Accordingly, the Franchise Agreement and Item 17 of the Disclosure Document are amended to apply to the area within a 2-mile radius of the Daddy's Chicken Shack Restaurant.

The Franchise Agreement requires binding arbitration. The arbitration will occur in a state other than Indiana, with costs being borne by the non-prevailing party. The provision concerning the place where arbitration will occur is deleted from the Franchise Agreement.

The Franchise Agreement requires application of the laws of another state. This provision is deleted from the Indiana Franchise Agreement.

Item 17 of the Disclosure Document, Sections (u), (v), and (w), is amended to omit any reference to selection of an out-of-Indiana forum or choice of law.

The Franchise Agreement requires you to sign a general release of claims as a condition of renewing or reselling the franchise. Under the law of Indiana any provision that purports to bind a person acquiring a franchise to waive compliance with the franchise laws of Indiana is void. The Franchise Agreement and Item 17 of the Disclosure Document, Sections (b) (renewal) and (k) (transfer) are amended to omit the requirement that an Indiana franchisee sign a general release of claims as a condition of renewal or resale. This will not prevent Franchisor from requiring you to sign a general release of claims as part of a settlement of a dispute.

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

## MARYLAND

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Disclosure Document shall be modified as follows:

Item 17 of the Disclosure Document provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 *et seq.*).

Item 17 of the Disclosure Document is amended to state “The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

Item 17 of the Disclosure Document is amended to state “Any claim arising under the Maryland Franchise and Disclosure Law must be brought within 3 years after the grant of the franchise.”

Item 17(v) of the Disclosure Document is amended to state “A Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.”

Item 5 of the Disclosure Document is amended as follows:

Based upon the Franchisor’s current financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the Franchisor completes its pre-opening obligations under the Franchise Agreement and the outlet is opened.

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Franchise Agreement shall be modified as follows:

A Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claim arising under the Maryland Franchise and Disclosure Law must be brought within three (3) years after the grant of the franchise.

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

Any provision contained in the Franchise Agreement that requires the Franchisee to assent to a release, estoppel, or waiver of liability is not intended to nor shall it act as a release estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Section 3 of the Franchise Agreement is amended as follows:

Based upon the Franchisor’s current financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the Franchisor completes its pre-opening obligations under the Franchise Agreement and the outlet is opened.

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

{See the last page of this **Exhibit D** for your Signature.}

## MINNESOTA

We will comply with Minnesota Statute 80C.14 subdivisions 3, 4, and 5, which require (except in certain specific 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, and that consent to transfer of the franchise will not be unreasonably withheld.

Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400(J) may prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Notwithstanding the foregoing, this shall not bar enforcement of an arbitration clause.

In accordance with Minnesota Rule 2860.4400(J), to the extent required by law, the Disclosure Document and Franchise Agreement are modified so that we cannot require you to waive your rights to a jury trial or to consent to liquidated damages, termination penalties, or judgment notes.

Minnesota Rule 2860.4400(D) prohibits us from requiring you to assent to a general release of liability imposed by Minn. Stat. Chapter 80C; provided, this shall not bar the voluntary settlement of disputes. The Disclosure Document and Franchise Agreement are modified accordingly, to the extent required by Minnesota law.

Pursuant to Minn. Stat. Sec. 80C.12, Subd. 1(g), Minnesota considers it unfair not to protect the franchisee's right to use the trademarks. To the extent required by Minnesota law, we will protect your right to use the primary trademark, service mark, trade name, logotype, or other commercial symbol from third parties or will indemnify you from any loss, costs, or expenses arising out of any third-party claim, suit, or demand regarding your use of our primary trade name in accordance with the requirements of the Franchise Agreement and our standards.

Pursuant to Minn. Stat. Sec. 80C.17, Subd. 5, to the extent required by law, the Franchise Agreement and Item 17 of the Disclosure Document are amended to state that no action may be commenced pursuant to Minn. Stat. Sec. 80C.17 more than three years after the cause of action accrues.

Section 3 of the Franchise Agreement and Item 5 of the Disclosure Document are amended to state that the initial franchise fee and all other initial payments owed by franchisees to the Franchisor under the Franchise Agreement will be deferred until the Franchisor completes its pre-opening obligations under the Franchise Agreement and the outlet is opened for business.

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

{See the last page of this **Exhibit D** for your Signature.}

## 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 A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is to be 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” sections 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 Sections 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” sections 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.

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

## **NORTH DAKOTA**

Item 17(c) Disclosure Document and Section 2.2.7 of the Franchise Agreement, which require you to sign a general release upon renewal of the franchise, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Item 17(i) of the Disclosure Document and Section 14 of the Franchise Agreement, which require you to consent to termination or liquidated damages, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Item 17(r) of the Disclosure Document and Section 10.6 of the Franchise Agreement restricting competition are generally considered unenforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Item 17(u) of the Disclosure Document and Section 17 of the Franchise Agreement requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law. The site of arbitration or mediation must be agreeable to all parties.

Item 17(w) of the Disclosure Document and Section 17.1 of the Franchise Agreement relating to choice of law may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Any provisions in the Franchise Agreement which require the franchisee to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Sections of the Disclosure Document and Section 17.5 of the Franchise Agreement requiring the franchisee to consent to a limitation of claims within one year may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Sections of the Disclosure Document and Section 17.6 of the Franchise Agreement requiring the franchisee to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Any provisions in the Franchise Agreement which stipulate that the franchisee shall pay all costs and expenses incurred by the franchisor in enforcing the agreement, which may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, are hereby amended to the extent required by law. The prevailing party in any enforcement action is entitled to recover costs and expenses including attorney's fees.

Item 5 of the Disclosure Document and Section 3 of the Franchise Agreement are amended to state that the initial franchise fee and all other initial payments owed by franchisees to the Franchisor under the Franchise Agreement will be deferred until the Franchisor completes its pre-opening obligations under the Franchise Agreement and the outlet is opened for business.

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

{See the last page of this **Exhibit D** for your Signature.}



## **RHODE ISLAND**

The Rhode Island Securities Division requires the following specific disclosures to be made to prospective Rhode Island franchisees:

§ 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 the Act.”

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

## VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Disclosure Document for Daddy's Chicken Shack Franchising, LLC for use in the Commonwealth of Virginia is amended as follows:

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 does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

The initial franchise fee and other initial payments owed by franchisees to the Franchisor under the Franchise Agreement will be deferred until the Franchisor has completed its pre-opening obligations under the Franchise Agreement and the outlet is opened for business.

The following is added to the "Special Risks to Consider About *This Franchise*" page of the Franchise Disclosure Document:

6. **Estimated Initial Investment.** The franchisee will be required to make an estimated initial investment ranging from \$748,250 to \$1,141,750. This amount exceeds the franchisor's stockholder's equity as of December 31, 2022, which is (\$248,613).

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

**WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT,  
FRANCHISE AGREEMENT, AND RELATED AGREEMENTS**

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.

The Franchisor will not require or accept the payment of any initial fees until the franchisee has (a) received all initial training and other pre-opening obligations from Daddy's Chicken Shack that it is entitled to under the Franchise Agreement or Disclosure Document, and (b) is open for business.

Section 14.1.8 (Option to Purchase Equipment and Furnishings) of the Franchise Agreement is amended to replace the phrase "at the lesser of the fair market value or Franchisee's book value" with "at fair market value." Section 14.1.8 is further amended to delete the following: "The book value shall be determined based upon a five (5) year straight line depreciation of original costs. For equipment that is five (5) or more

years old, the parties agree that fair market value shall be deemed to be ten percent (10%) of the equipment's original cost.”

Section 16.1.3 (Indemnification) of the Franchise Agreement is amended to replace the phrase “but not claims caused solely by the Indemnified Parties’ gross negligence, fraud, or willful misconduct” with “but not claims caused solely by the Indemnified Parties’ gross negligence, fraud, willful misconduct, or liabilities for which Daddy’s Chicken Shack is strictly liable”. Section 16.1.3 is further revised to provide that Franchisee’s obligation to hold harmless the Indemnified Parties for Losses and Expenses arising out or from or related to the operation of the Restaurant does not apply to claims arising under the Washington Franchise Investment Protection Act and the rules adopted thereunder.

Nothing in Section 30 (Business Judgment) of the Franchise Agreement limits any rights or protections a franchisee may have under the Washington Franchise Investment Protection Act.

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

{See the last page of this **Exhibit D** for your Signature.}

## **WISCONSIN**

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 Disclosure Document and Franchise Agreement are amended accordingly.

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

**ACKNOWLEDGMENT:**

If any one of the preceding State Specific Addenda (“**Addenda**”) is checked as an “Applicable Addenda” below or if the jurisdictional requirements for application of one of the following State’s franchise sales law is independently satisfied, then that Addenda will be incorporated into the Disclosure Document and/or, if applicable as indicated in such Addenda, the 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 Disclosure Document or, as applicable, Franchise Agreement or other specified agreement(s), the terms of the Applicable Addenda will supersede the terms of the Disclosure Document or, as applicable, Franchise Agreement or other specified agreement(s).

- |                                     |                                       |
|-------------------------------------|---------------------------------------|
| <input type="checkbox"/> California | <input type="checkbox"/> New York     |
| <input type="checkbox"/> Hawaii     | <input type="checkbox"/> North Dakota |
| <input type="checkbox"/> Illinois   | <input type="checkbox"/> Rhode Island |
| <input type="checkbox"/> Indiana    | <input type="checkbox"/> Virginia     |
| <input type="checkbox"/> Maryland   | <input type="checkbox"/> Washington   |
| <input type="checkbox"/> Minnesota  | <input type="checkbox"/> Wisconsin    |

**FRANCHISOR:**

**DADDY’S CHICKEN SHACK FRANCHISING,  
LLC**

By: \_\_\_\_\_  
Title: Authorized Signatory

**FRANCHISEE**

\_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT E**  
**TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**LISTS OF CURRENT AND FORMER FRANCHISEES,**  
**AND CURRENT REGIONAL DEVELOPERS**

**LIST OF CURRENT FRANCHISEES  
AS OF DECEMBER 31, 2023**

<b>FRANCHISEE/OWNER</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>STATE</b>	<b>ZIP</b>	<b>PHONE</b>
Area 15 Franchising DCS Unit 2 LLC	11107 N. Scottsdale Rd.	Scottsdale	AZ	85254	480-903-8178
Area 15 Franchising DCS Unit 1 LLC	7330 S. Broadway	Littleton	CO	80122	720-944-7771

**FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPENED  
AS OF DECEMBER 31, 2023**

<b>FRANCHISEE/OWNER</b>	<b>CITY</b>	<b>STATE</b>	<b>PHONE</b>
Dilpreet Sidhu	Sacramento	CA	916-690-9454
Dilpreet Sidhu	Stockton	CA	916-690-9454
Daddy's West, LLC	TBD (Southern California)	CA	818-850-5075
Kerry Dunn	Colorado Springs	CO	719-285-0955
Douglas Dahlstrom	TBD (West Denver & Jefferson Counties, Colorado)	CO	303-434-5873
Daddy's Chicken Shed, LLC	Orlando	FL	407-624-3747
Steven Nichols & Ed Zausch	Tampa	FL	813-278-7707
Reginald Lowe	Atlanta	GA	770-884-4651
Ali Hammoud	Detroit	MI	313-693-8020
Daddy's Eastern Oregon, LLC	TBD (Eastern Oregon)	OR	541-527-1455
Chuck Goddard & Nicole Goddard	Austin	TX	737-238-0887
Douglas Dahlstrom	Fort Worth	TX	303-434-5874
Craig Baudier	Houston	TX	713-324-8069

**LIST OF FORMER FRANCHISEES  
AS OF DECEMBER 31, 2023**

*None*

**TRANSFERS  
AS OF DECEMBER 31, 2023**

*None*



**LIST OF CURRENT REGIONAL DEVELOPERS  
AS OF DECEMBER 31, 2023**

<b>REGIONAL DEVELOPER/OWNER</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>STATE</b>	<b>ZIP</b>	<b>PHONE</b>
Dilpreet Sidhu & Arvind Sidhu (Sacramento, California)	8517 Felton Crest Way	Elk Grove	CA	95624	916-690-9454
Dilpreet Sidhu & Arvind Sidhu (Stockton, California)	8517 Felton Crest Way	Elk Grove	CA	95624	916-690-9454
Daddy's West, LLC (Southern California)	300 E Colorado Blvd., Suite 214	Pasadena	CA	91101	818-850-5075
Area 15 Franchising DCS Unit 2 LLC (Scottsdale, Arizona)	480 E Happy Canyon Rd	Castle Rock	CO	80108	480-870-7710
Area 15 Franchising DCS Unit 1 LLC (Douglas & Arapahoe Counties, Colorado)	480 E Happy Canyon Rd	Castle Rock	CO	80108	303-228-0311
Douglas Dahlstrom (West Denver & Jefferson Counties, Colorado)	3115 Ramshorn Drive	Castle Rock	CO	80108	303-434-5873
Douglas Dahlstrom (Fort Worth, Texas)	3116 Ramshorn Drive	Castle Rock	CO	80108	303-434-5874
Kerry Dunn (Colorado Springs, Colorado)	290 Emerald Drive	Castle Rock	CO	80104	719-285-0955
Daddy's Chicken Shed, LLC (Orlando & Daytona Beach, Florida)	239 New Gate Loop	Lake Mary	FL	32746	407-624-3747
Steven Nichols & Ed Zausch (Clearwater-St. Petersburg-Bradenton-Sarasota, Florida)	6515 Horse Shoe Bend	Orlando	FL	32822	813-278-7707
Reginald Lowe (Atlanta, Georgia)	233 Birchwalk Court	Riverdale	GA	30274	770-884-4651
Ali Hammoud (Detroit, Michigan)	1021 Mohawk Street	Dearborn	MI	48124	313-693-8020
Daddy's Eastern Oregon, LLC (Eastern Oregon)	4596 SW Zenith Ave.	Redmond	OR	97756	541-527-1455
Chuck Goddard & Nicole Goddard (Austin, Texas)	1909 Gilded Crest Drive	Leander	TX	78641	737-238-0887
Craig Baudier (Houston, Texas)	2404 Glen Haven	Houston	TX	77030	713-324-8069

**EXHIBIT F**  
**TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**FORM OF GENERAL RELEASE**

## FORM OF GENERAL RELEASE

The Franchisee, on behalf of itself and its subsidiaries, affiliates, heirs, successors and assigns, hereby releases and discharges any and all liabilities, obligations or claims, whether known or unknown, including without limitation, any claimed violation or breach of the Franchise Agreement or federal or state laws, including franchise investment laws, against Daddy's Chicken Shack LLC ("**Daddy's Chicken Shack**"), including its current and former parents, officers, directors, limited liability company managers, employees, subsidiaries or affiliates, and any and all of its respective past and present representatives. The Franchisee realizes the facts as presently known or understood to exist with respect to any known or unknown claims it may have against Daddy's Chicken Shack may, in fact, be either incorrect or incomplete, or both. Notwithstanding such possibility, the Franchisee freely enters into this Agreement and assumes all risks of any such possibility and waives any rights whatsoever to attack the validity and finality of this Agreement even if the present knowledge and understanding of the facts on the part of the Franchisee is in any way incorrect. The Franchisee expressly waives any and all rights and benefits against Daddy's Chicken Shack conferred upon themselves by the provisions of Section 1542 of the California Civil Code. Section 1542 of the California Civil Code reads 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.**

Except in connection with a negotiated settlement of a bona fide dispute in which the person giving the release or waiver is represented by independent legal counsel, the foregoing general release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

**EXHIBIT G**  
**TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**MANUAL TABLE OF CONTENTS**



# Brand Standards Manual

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## State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration:

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

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

State	Effective Date
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	June 16, 2023
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

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

**RECEIPT**

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

If Daddy’s Chicken Shack Franchising, LLC (“**Daddy’s Chicken Shack**”) offers you a franchise, Daddy’s Chicken Shack must provide this Disclosure Document to you at least 14 calendar days (or sooner, if required by applicable state law) before you sign a binding agreement with, or make a payment to, Daddy’s Chicken Shack or any affiliate of Daddy’s Chicken Shack in connection with the proposed franchise sale.

New York and Iowa require that Daddy’s Chicken Shack give you this Disclosure Document at the earlier of the first personal meeting or 10 business days (14 calendar days for Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that Daddy’s Chicken Shack give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Daddy’s Chicken Shack does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the applicable state agency listed on **Exhibit A** to this Disclosure Document.

The names, principal business addresses, and telephone numbers of the franchise sellers offering the franchise (with name and contact information to be inserted as necessary) are:

<b>Name</b>	<b>Principal Business Address</b>	<b>Telephone Number</b>
Andrew Beach	480 East Happy Canyon Road, Castle Rock, Colorado 80108	844-432-3397
Dr. Ben Litalien	480 East Happy Canyon Road, Castle Rock, Colorado 80108	844-432-3397
Daniel Arabi	480 East Happy Canyon Road, Castle Rock, Colorado 80108	844-432-3397
Jamie Vanderwoude	480 East Happy Canyon Road, Castle Rock, Colorado 80108	844-432-3397

We have authorized the persons listed on **Exhibit A** to this Franchise Disclosure Document to receive service of process for us in the listed states.

Issuance Date: May 21, 2024

I have received this Disclosure Document dated May 21, 2024. Please refer to the State Effective Dates page for the effective date of this Disclosure Document in your state. This Disclosure Document included the following exhibits:

Exhibit A	State Administrators and Agents for Service of Process	Exhibit E	Lists of Current and Former Franchisees, and Current Regional Developers
Exhibit B	Financial Statements	Exhibit F	Form of General Release
Exhibit C	Franchise Agreement	Exhibit G	Manual Table of Contents
Exhibit D	State Specific Addenda		

\_\_\_\_\_  
Date of Receipt

\_\_\_\_\_  
Signature of Prospective Franchisee (on behalf of the prospective franchisee and any corporation, limited liability company, or other business entity having or proposed to have an interest in the franchise or any proposed franchised location)

By: \_\_\_\_\_  
Print Name

**[Retain this copy for your records.]**

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Signature of Prospective Franchisee (on behalf of the prospective franchisee and any corporation, limited liability company, or other business entity having or proposed to have an interest in the franchise or any proposed franchised location)

By: \_\_\_\_\_  
Print Name

**[Return this copy to us.]**