

## FRANCHISE DISCLOSURE DOCUMENT

**CRAFTY CRAB FRANCHISING LLC**  
A Florida Limited Liability Company  
3525 Enterprise Way  
Green Cove Springs, Florida 32043  
(888) 454-1576

[www.craftycrabrestaurant.com](http://www.craftycrabrestaurant.com)  
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The franchisee will operate one or more Crafty Crab Restaurants.

The total investment necessary to begin operation of a Crafty Crab franchise is from \$952,800 to \$1,831,399, including \$70,038 to \$80,598 that must be paid to the franchisor or its affiliate. The total investment necessary to begin operation as an area developer under an Area Development Agreement is from \$1,003,800 to \$1,956,399 (assuming, for the low-end, you agree to develop 3 Crafty Crab Restaurants and, for the high-end, you agree to develop 10 Crafty Crab Restaurants, although this is not a maximum). This includes \$50,000 to \$120,00 that must be paid to the franchisor or its affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Ming Lin Zhang at 3525 Enterprise Way, Green Cove Springs, Florida 32043 and (888) 454-1576.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also 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.

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

Issuance date: July 14, 2023

## 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:

<b>QUESTION</b>	<b>WHERE TO FIND INFORMATION</b>
<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.
<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 Exhibit C 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 Crafty Crab 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 Crafty Crab franchisee?</b>	Item 20 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. See the table of contents.

## **What You Need To Know About Franchising *Generally***

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

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

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

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

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

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

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

### **Some States Require Registration**

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

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

## Special Risks to Consider About *This* Franchise

Certain states require 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 only in the state, county and judicial district in which the franchisor's principal place of business is then located, which is currently the city and county of Green Cove Springs in Clay County, in the state of Florida. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in the state, county and judicial district in which the franchisor's principal place of business is then located than in your own state.
2. **Unregistered Trademark**. The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer
3. **Limited 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.

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

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### Exhibits

#### A Franchise Agreement and Related Materials

State Addenda to Franchise Agreement

Exhibits to Franchise Agreement:

- Exhibit A - Franchised Territory; Restaurant Location
- Exhibit B - Proprietary Marks
- Exhibit C - Required Provisions for Lease Rider
- Exhibit D - Software License Agreement
- Exhibit E - Confidentiality/Non-Competition Agreement
- Exhibit F - Confidentiality Agreement (Non-Managerial Personnel)
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## **ITEM 1 THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

To simplify the language in this disclosure document, “we” or “us” means Crafty Crab Franchising LLC, the franchisor. “You” means the individual, corporation or partnership who buys the franchise. If the franchisee will operate through a corporation, limited liability company, partnership or other business entity, “you” also includes the franchisee’s owners or partners. Our agents for service of process in the states whose franchise laws require us to name a state agency as agent for service are shown on Exhibit E.

### **The Franchisor**

We franchise businesses (the “Crafty Crab Businesses” or the “Businesses”) operating fast casual restaurants (“Crafty Crab Restaurants” or “Restaurants”) specializing in the sale of cajun-style seafood and other food and beverage products for on-premises and off-premises (including delivery and take-out) consumption and related programs, products and services. We have not conducted business in any other line of business. We do not operate businesses of the type being franchised under this Disclosure Document.

We are a Florida limited liability company organized in April, 2023. We conduct business under the names “Crafty Crab Franchising LLC” and “Crafty Crab”. Our principal business address is 3525 Enterprise Way, Green Cove Springs, Florida 32043, and our telephone number is (888) 454-1576.

### **The Franchisor’s Parents, Predecessors and Affiliates**

We have no parent companies.

We have no predecessors.

As of the issuance date of this Disclosure Document, we have not conducted a Crafty Crab Business; however, certain of our affiliates have operated businesses of the type franchised under this Disclosure Document since April 2016.

Our affiliate, CC Seafood Group, LLC (“CC Seafood”), a Nevada limited liability company with its principal business address at 2069 Arden Forest Place, Fleming Isle, Florida 32003, has licensed us the right to use the Crafty Crab System and the Crafty Crab trademarks, service marks and other intellectual property and to sublicense them to our franchisees in a cross-license agreement dated as of July 19, 2023.

Our affiliate, Jaxpa Distribution LLC (“Jaxpa”), a Florida limited liability company organized in June 2023 with its principal business address at 3525 Enterprise Way, Green Cove Springs, FL 32043 will sell you our proprietary seasoning and trademarked packaging, smallwares, uniforms, interior logos and table sets.

Neither we nor our affiliates have previously offered and sold franchises for Crafty Crab Businesses or any other type of business.

### **The Franchise**

We will offer you the opportunity to open and operate one or more Crafty Crab Businesses that operate Crafty Crab Restaurants that specialize in the sales of Cajun-style seafood and related products, services and programs. You will operate your Business and Restaurant under the service mark and trade name “Crafty Crab”, and other trade names, trademarks and service marks that we specify now or designate for use in connection with the System (collectively, the “Proprietary Marks”).

This Disclosure Document offers two basic types of franchises for Crafty Crab Businesses and Restaurants:

- (1) If you wish to operate a single Crafty Crab Business and Restaurant, we offer a unit franchise (see the Franchise Agreement in Exhibit A to this Disclosure Document).
- (2) If you are an existing franchisee and desire to operate additional Crafty Crab Businesses and Restaurants, we offer an area development program. If you sign an Area Development

Agreement (see the Area Development Agreement in Exhibit B to this Disclosure Document), we will grant you a defined geographical area (the “Development Territory”) within which you (an “Area Developer”) commit to develop and operate a minimum of two (2) Crafty Crab Restaurants within a specific timeframe (“Development Schedule”). You must sign a separate Franchise Agreement for each Crafty Crab Business and Restaurant that you open under the Area Development Agreement. The Franchise Agreement for your first Crafty Crab Business and Restaurant will be in the form attached as Exhibit A to this Disclosure Document and must be signed when you sign your Area Development Agreement. The Franchise Agreements you will sign for your additional Crafty Crab Restaurants will be our then-current form of Franchise Agreement which may contain terms and conditions that are materially different from the current Franchise Agreement attached as Exhibit A to this Disclosure Document.

### **Market and Competition**

The market for your services consists of members of the general public in your area, including families, students and businesspeople, seeking high quality cajun-style seafood. The market is developed. Sales are not seasonal.

You will compete with national and regional restaurants (including, company-owned and franchised chains) as well as independently owned restaurants specializing in the sale of cajun-style seafood and related food and beverage products, programs and services for on or off premises consumption.

### **Industry Specific Laws/Regulations**

You must be familiar with (and comply with) all local, county, state and federal laws which apply generally to the restaurant and foodservice industry (including all laws, rules and regulations which apply to businesses in general). These laws may include federal, state and local health regulations concerning food preparation, handling, storage and sale; United States Department of Agriculture (USDA) standards; truth in menu and labeling laws; and license, certificate and permit requirements for Restaurant operation and occupancy (including, if you sell liquor, license requirements for the sale of alcoholic beverages). You must determine your ability to procure any required license, permit, certificate or other governmental authorization that may be necessary or required for you to carry out the activities contemplated by the Franchise Agreement. Consult your lawyer about them.

We do not represent that you will have the ability to procure any required license, permit, certificate or other governmental authorization that may be necessary or required for you to carry out the activities contemplated by the Franchise Agreement.

In 2020 and 2021, due to the global coronavirus pandemic, some government agencies ordered (or suggested) that restaurants temporarily close and only offer drive through, curbside, carryout and delivery service or otherwise severely limited clientele from patronizing restaurant businesses and may do so again.

## **ITEM 2 BUSINESS EXPERIENCE**

### **Chief Executive Officer: Ming Lin Zhang**

Ming Lin Zhang has served as our Chief Executive Officer since our formation in April 2023. In addition to serving as our Chief Executive Officer, Mr. Zhang serves as the Chief Executive Officer of (i) Crafty Seafood Inc. in West Melbourne, Florida since May 2016 and (ii) Seafood Crafting Inc. in Jacksonville, Florida since March 2017. Ming Lin Zhang also serves as the President of Jax Paper Corp in Orange Park, Florida since October 2019. Ming Lin Zhang performs his duties pertaining to the foregoing positions in Jacksonville, Florida.

### **Chief Operating Officer: Rachel Cai**

Rachel Cai has served as our Chief Operating Officer since our formation in April 2023. Ms. Cai also



serves as the General Manager of Hongwei 954, Inc. in Miami, Florida, since March 2018. Rachel Cai performs her duties as relating to the foregoing positions in Miami, Florida.

**Chief Financial Officer: Ming Ying Zhang**

Ming Ying Zhang has serves as our Chief Financial Officer since our formation in April 2023. Ming Yin Zhang also serves as the (i) Chief Financial Officer for Crafty Seafood Inc. in West Melbourne, Florida since May 2016 and (ii) Vice President of Jax Paper Corp. in Orange Park, Florida since October 2019. Ming Ying Zhang performs his duties pertaining to the foregoing positions in Jacksonville, Florida .

**Vice President of Operations: Nai En Li**

Nai En Li has served as our Vice President of Operations since our formation in April 2023. Mr. Li also serves as the (i) General Manager of Crafty Seafood Inc. in West Melbourne, Florida since May 2016 and (ii) Vice President of Jax Paper Corp. in Orange Park, Florida since October 2019. Nai En Li performs his duties relating to the foregoing positions in Jacksonville, Florida.

**Vice President of Franchise Development: Lin Luo**

Lin Luo has served as our Vice President of Franchise Development since our formation in April 2023 in New York, New York. Prior to this position, Ms. Luo served as the President of Agape Business Consulting in Flushing, New York since January 2018.

**ITEM 3 LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4 BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

**ITEM 5 INITIAL FEES**

**Unit Franchise – Initial Franchise Fee**

All franchisees who will open a single Crafty Crab Business will pay an Initial Franchise Fee of \$40,000. You must pay the Initial Franchise Fee in full on the date that we (Franchisor) countersign the Franchise Agreement. We will not refund any of the Initial Franchise Fee under any circumstances.

**Area Development Fee**

If you are an existing franchisee and wish to operate under an Area Development Agreement (in which case you agree to operate two or more additional Crafty Crab Businesses and Restaurants), you must pay an area development fee (“Area Development Fee”) equal to: (i) one hundred percent (100%) of the Initial Franchise Fee for the first Crafty Crab Business to be developed under the Franchise Agreement, plus (ii) a Ten Thousand Dollar (\$10,000) deposit (“Area Development Deposit”) for each subsequent Crafty Crab Business you commit to establish and operate pursuant to the Development Schedule set forth in the Area Development Agreement.

The Initial Franchise Fee for each Crafty Crab business to be developed pursuant to the Development Schedule set forth in the Area Development Agreement will be calculated according to the following schedule:

<u>Crafty Crab Business</u>	<u>Initial Franchise Fee</u>
First Crafty Crab Business	\$30,000
All Subsequent Crafty Crab Businesses	\$20,000

The Area Development Deposit for each Crafty Crab Business will be applied against the Initial Franchise Fee for that Crafty Crab Business and Restaurant which would otherwise be payable. The

balance of the Initial Franchise Fee (i.e., \$10,000) owed for each subsequent Crafty Crab Business to be developed under the Area Development Agreement is payable to us in lump sum upon the execution of the Franchise Agreement for the subject Crafty Crab Business and Restaurant. The Area Development Fee is fully earned when paid and it is not refundable under any circumstances.

**Initial Training Fee**

Before your Business opens, you must pay us an Initial Training Fee of Ten Thousand Dollars (\$10,000) to train your Managing Owner and Operating Manager. If you operate more than one Restaurant, you will only be obligated to pay an Initial Training Fee prior to the opening of your first Restaurant. You will not have to pay an Initial Training Fee in connection with any subsequent Restaurant that you open and operate. The Initial Training Fee is not refundable.

**Initial Inventory**

Before your Business opens, you must purchase our proprietary seasoning and trademarked packaging, smallwares, uniforms, interior logos and table sets from us or our affiliate at an estimated cost ranging from \$20,038 - \$30,598. This cost is not refundable.

You pay us or our affiliates no other fees or payments for services or goods before your Business opens.

**ITEM 6 OTHER FEES**

<b>(1) Type of Fee</b>	<b>(2) Amount</b>	<b>(3) Due Date</b>	<b>(4) Remarks</b>
Continuing Royalty	3% of Gross Revenues	Payable monthly on the 10 <sup>th</sup> day of the next month	“Gross Revenues” includes all revenues from the franchised Business. Fully defined in Franchise Agreement, Section 5.04. Royalty percentage will not change during term of Franchise Agreement.
System Advertising Contribution	Up to 1.5% of Gross Revenues (Currently 1%)	Same as Continuing Royalty	Contribution percentage may change during the term of Franchise Agreement, but in no event more than 1.5% of Gross Revenues. Currently the contribution percentage is 1% of monthly Gross Revenues.
Technology Fee	When instituted: Up to 1% of Gross Revenues (Currently not assessed)	Same as Continuing Royalty	We may institute a Technology Fee and if we do you must pay our then-current fee. We may adjust the structure and amount of this fee at any time upon 60 days’ notice to you, subject to a cap of 1% of your Gross Revenues per month during the initial term of your franchise.
Required Minimum Expenditure for Local Advertising	\$5,000 one month before scheduled opening; then 1% of Gross Revenues	Monthly	Required expenditure percentage will not change during term of Franchise Agreement.

<b>(1) Type of Fee</b>	<b>(2) Amount</b>	<b>(3) Due Date</b>	<b>(4) Remarks</b>
Advertising Cooperative	When cooperative formed: 1% of Gross Revenues. (Currently not assessed)	Established by cooperative	We may form an advertising cooperative for your area and establish fees payable to the cooperative. See Item 11. A Company owned Business will have a vote if it joins. Percentage may equal up to 1% and may only be more than 1% if the Cooperative changes the maximum under its By-Laws.
Proprietary and/or Trademarked Products	\$18,708 - \$29,268per month	When you place orders for products.	You must buy proprietary and trademarked products from us, our affiliate or designee. They currently include our proprietary seasoning and trademarked packaging, smallwares, employee uniforms and table sets. See Note 1 and Item 8. The amount in column 2 is an estimate of what you may spend on your initial monthly inventory of proprietary and trademarked products at the beginning of each month. This amount may increase depending on your Restaurant's sales volume and customer demand.
Employee Uniforms	\$25 per front of house employee (full uniform) \$35 per back of house employee (full uniform)  <u>Cost per Item:</u> Shirt – \$15 Hat – \$10 Apron – \$10	When you place order	Each employee uniform is comprised of a Crafty Crab branded t-shirt, hat and server apron. Front of house employees must wear a Crafty Crab branded t-shirt and hat, while back of house employees will need to wear Crafty Crab branded t-shirt, hat and server apron.
Merchandise Cost	As invoiced by us or 3 <sup>rd</sup> party vendor	Upon receiving invoice	We may provide certain merchandising materials to you such as menu panels, point of purchase advertising materials, System memorabilia and other brand-relevant merchandise. We or our third-party vendor will invoice you for the actual costs for such materials, plus the cost of shipping and insurance. Upon reasonable request, we will furnish you with documentation of those costs.

<b>(1) Type of Fee</b>	<b>(2) Amount</b>	<b>(3) Due Date</b>	<b>(4) Remarks</b>
Gift Cards, Customer Loyalty Programs and Gift Card Processing Equipment Costs	As invoiced by us or 3 <sup>rd</sup> party vendor	Upon receiving notice	We may require that you purchase gift cards and other related products and/or equipment to participate in any gift card or customer loyalty program(s) that we may implement in the future. Currently, we have not initiated any gift card or customer loyalty program(s).
Software Costs, Software Support Services	If we or our designee develop proprietary software, no initial charge for program. You pay for updates. See Note 1.  (Currently not assessed)	See Note 2.	See Note 2.
Testing fee	Actual costs we incur, plus an additional 25% of such costs as an administrative and service fee.	When we request	We may test the product or service of any supplier you propose. Fee for testing pays for our expenses. See Item 8.
Initial Training for Initial Trainees	All living and transportation expenses of all trainees, which we estimate to be \$1,000 - \$10,000. However, the amounts may vary depending upon factors such as the third-party supplier selected and your distance from training.	Expenses as incurred	We include the Initial Training Program for you and your Managing Owner and Operating Manager in the Initial Training Fee. We may require your trainees to travel to a location we designate, which is currently our corporate headquarters in Green Cove Springs, Florida.
Initial Training for Additional and Subsequent Trainees	Additional and subsequent trainee charge: \$2,500 per person. Plus, all living and transportation expenses of all trainees.  See remarks.	Fee for additional or subsequent trainees due before beginning of training; expenses as incurred	All Operating Managers you appoint later must also attend and successfully complete the Initial Training Program. We may require your trainees to travel to a location we designate, which is currently our corporate headquarters in Green Cove Springs, Florida.
On-Site Training and Assistance	\$300 per trainer per day	When we request	You can request on-site training and/or assistance at any time. The franchise agreement does not require us to provide it.

<b>(1) Type of Fee</b>	<b>(2) Amount</b>	<b>(3) Due Date</b>	<b>(4) Remarks</b>
On-Going Training Expenses	Expenses only.	As incurred.	We may from time to time develop additional training programs which you (if an individual) and your Managing Owner must attend and successfully complete, and we may hold an annual conference, convention or a required training session. You and your Managing Owner must attend. You pay us no training charge, but you must pay all living and transportation expenses of your trainees.
Insurance Reimbursement	Annual premiums (estimated at \$30,000 - \$60,000), plus, our out-of-pocket costs See Remarks.	As insurance carrier requires	If you fail to maintain the required insurance and we choose to pay for it on your behalf (which we are not required to do), you must pay the amount in Column 2). Insurance company sets the premiums and you pay the insurance company, except that if you fail to pay premiums for required insurance, we may pay premiums and charge you for them. Premiums may vary depending upon factors such as the insurance company selected and your claims experience. We estimate that your monthly insurance premium to range between \$2,500 - \$5,000. See Note 2.
Relocation	Actual costs	When we request	If you wish to relocate your Crafty Crab Restaurant. you must reimburse us for any reasonable costs we incur in considering your request. See Item 12.
Taxes	As assessed on goods and services we provide to you.	Promptly when due	You must pay us all taxes we pay except for our corporate income taxes due to goods or services we furnish to you, the Initial Franchise Fee or Continuing Royalties.
Advances	Any amounts we advance to third parties for you (if any)	When we request	You must pay us all amounts we advance to third parties for you.
Late Charge – Monthly Gross Revenues Report	\$150 per late report per month	When we request	You must pay us a late charge in the amount listed in column 2 for your failure to submit your monthly Gross Revenues report as required in Section 5.07 of your Franchise Agreement.

<b>(1) Type of Fee</b>	<b>(2) Amount</b>	<b>(3) Due Date</b>	<b>(4) Remarks</b>
Late Charge – Financial Reports	\$50 per month	When we request	You must pay us a monthly late charge in the amount listed in column 2 for your failure to furnish to us any of the financial statements or tax returns required in Article 11 of the Franchise Agreement. This amount is payable for each month each financial statement or tax return is overdue.
Interest	Lesser of: (i) the maximum commercial contract interest rate permitted by law; or (ii) the rate of 18% per annum, plus any applicable bank charges.	1 <sup>st</sup> day of each month that an amount is past due	You must pay interest in the amount listed in column on any past due amounts to us. We will not increase the interest beyond the formula in column 2 during term of Franchise Agreement.
Audit Expenses	Actual audit expenses See Note 2.		The amount of the audit expenses is unknown and may vary depending upon factors such as the auditor selected.
Successor Term Fee	50% of then-current Initial Franchise Fee	Before we sign renewal agreement.	See Item 17.
Transfer Fee	Greater of: (i) \$15,000; or (ii) the actual amount of our legal, accounting and other expenses	Before we approve the transfer.	See Item 17.
Securities offering review fee	\$10,000 or such greater amount as necessary to reimburse us for our actual costs and expenses in reviewing your proposed securities offering	When incurred	See Section 14.08 of Franchise Agreement.

<b>(1) Type of Fee</b>	<b>(2) Amount</b>	<b>(3) Due Date</b>	<b>(4) Remarks</b>
Management Fee on Death or Disability	Greater of (a) two times the salary paid to individual(s) we assign to operate Business, or (b) 10% of Business's weekly Gross Revenue.	See Remarks	From your death or disability or the death or disability of your last surviving owner (if you are a business entity), until a new Operating Manager assumes control, we may operate Business, but will have no obligation to do so. If we do, then we will deduct our expenses from Business' Gross Revenues and pay ourselves the management fee shown in column 2. The Management Fee will be in addition to Continuing Royalties and any other fees due to us. We will remit any remaining funds to your Estate. Estate must pay us any deficiency in sums due us under Franchise Agreement within 10 days of our notifying Estate of deficiency. See Item 17.
Indemnification of Us			You indemnify us from certain losses and expenses – see Section 8.10 of the Franchise Agreement.
Attorneys' and Experts' Fees, Court Costs	The amount of these fees and costs are unknown and may vary depending upon factors such as the attorneys and experts selected and the court costs.		See Note 3. If we incur attorneys' fees, costs, and expenses as a result of your failure to perform obligations, you must reimburse us for the actual fees and expenses we incur whether or not legal proceedings are initiated.

### Notes

Unless otherwise stated, all fees on the table above are nonrefundable and the fee or its formula is uniformly imposed.

- [1] You must buy proprietary and trademarked products from us, our affiliate or designee. We (or our affiliates or designees) will sell you proprietary products, equipment or services under terms we develop and advise you of periodically. We may earn a profit on the sale of proprietary products to you.
- [2] You must pay for and use proprietary software and software support services that either we develop and provide or which are provided by a third party supplier we designate, and you will execute any standard form software license agreement reasonably necessary to do so. You must use any software support services that we require in connection with any proprietary software that we may develop (or cause to develop) in the future. You pay for any future updates or revisions. You must buy new or upgraded programs and materials from us if we adopt them system-wide, at the prices we set. We do not know the cost of any future updates or revisions at this time. You will pay for new or updated programs and materials when you order them.
- [3] You must procure and maintain the insurance we require (See Item 8). If you do not purchase the required insurance, we may obtain the insurance for you. We have no duty do so. If we

obtain insurance for you, you must pay the premiums to the insurance company or reimburse us for them. We can change the required coverages and amounts.

- [4] If we audit your Business, and you understated the Gross Revenues on the monthly statements you submitted to us by 2% percent or more for any month or for the entire period, when compared with your actual Gross Revenues, then you must immediately pay us the cost of the audit and the additional amounts owing, plus interest at the highest legal rate or, if there is no maximum legal rate, then 4% percent above the prime rate. Otherwise we must pay the cost of the audit.

If you understated your Gross Revenues by 8% or more for any month or for the entire period, we can terminate the Franchise Agreement and you must pay the amount due, plus interest and the cost of the audit. If you understated your Gross Revenues by less than 2% percent for any month or for the entire period, you must immediately pay us the amount due, plus interest, but we will pay the cost of the audit.

The percentages described in this footnote are fixed and will not change during the term of the Franchise Agreement.

- [5] You or we can recover from the other party reasonable attorneys' fees, experts' fees, court costs and all other expenses of litigation in any action instituted against the other party to secure or protect your or our rights under the Franchise Agreement, to enforce the terms of the Franchise Agreement, or in any action begun or joined in by the other party against the prevailing party.

If we become a party to any proceeding brought against us by a third party relating to the Franchise Agreement, your franchised Business or your Crafty Crab Restaurant as a result of any act or omission of yours or the franchised Business, or if we become a party to any litigation or insolvency proceeding involving you under any bankruptcy or insolvency code, then you must pay us our reasonable attorneys' fees, experts' fees, court costs, travel and lodging costs and all other expenses we incur.

If we terminate the Franchise Agreement for your default, or if you terminate the Agreement through non-payment (see Item 17, section d.), you must pay us all our expenses from your default or termination, including reasonable attorneys' and experts' fees.

**ITEM 7 ESTIMATED INITIAL INVESTMENT**  
**YOUR ESTIMATED INITIAL INVESTMENT\***

(1) Type of expenditure	(2) Amount	(3) Method of payment	(4) When due	(5) To whom payment is to be made
Initial Franchise Fee	\$40,000 See Item 5 and Note 1	Lump Sum	At signing of Franchise Agreement	Us
Training Fee	\$10,000 See Item 5 and Note 2	Lump Sum	At signing of Franchise Agreement	Us

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\* Unless otherwise stated, none of the expenses on this chart is fully refundable.



<b>(1) Type of expenditure</b>	<b>(2) Amount</b>	<b>(3) Method of payment</b>	<b>(4) When due</b>	<b>(5) To whom payment is to be made</b>
Training expenses	\$1,000 - \$10,000 See Note 3	As airlines, hotels, restaurants, etc. require	As airlines, hotels, restaurants, etc. require	Airlines, hotels, restaurants, etc.
Rental Costs	\$120,000 - \$288,000 See Note 4	As landlord requires	As landlord requires	Landlord
Construction, remodeling and leasehold improvements	\$500,000 - \$1,000,000 See Note 5	See Note 5	As supplier or landlord requires	Supplier or landlord
Equipment, supplies, décor, fixtures and furnishings	\$142,228 - \$222,056 See Note 6	See Note 6	As supplier requires	Supplier
Computer and Point of Sale System	\$4,000 - \$7,000 See Note 7	As supplier requires	As supplier requires	Supplier
Inventory to begin operating (including employee uniforms)	\$40,072 - \$54,843 See Note 8	As supplier requires	As supplier requires	Us and Suppliers
Security deposits, utility deposits, business licenses, and other prepaid expenses	\$5,000 - \$30,000 See Note 9	As agency requires	As agency requires	Agency
Organizational expense	\$1,000 - \$2,000 See Note 10	As agency requires	As agency requires	Agency
Professional Fees	\$1,000 – \$5,000 See Note 11	As you agree with accountant/ attorney	As you agree with accountant/ attorney	Accountant/ Attorney
Signs	\$5,000 - \$10,000 See Note 12	As supplier requires	As supplier requires	Supplier
Insurance	\$15,000 - \$45,000 See Note 13	As agent requires	Before opening	Insurance Agent
Grand Opening advertising	\$5,000 See Note 14	As suppliers require	As suppliers require	Suppliers

<b>(1) Type of expenditure</b>	<b>(2) Amount</b>	<b>(3) Method of payment</b>	<b>(4) When due</b>	<b>(5) To whom payment is to be made</b>
Permits and Licenses	\$3,500 - \$7,500 See Note 15	As agency requires	As agency requires	Agency
Additional funds (initial period – 3 months)	\$60,000 - \$95,000 See Note 16	As expenses occur	Payroll weekly, other purchases according to agreed-on terms	Employees, suppliers of goods and services
<b>TOTAL</b> <b>\$952,800 to \$1,831,399</b> (Note 17)				

### Notes

- [1] See Item 5 for circumstances when the Initial Franchise Fee is partially refundable. None of the other fees shown on this table are refundable unless a supplier has a refund policy of which we are not aware. We do not finance any fee.
- [2] You or your Managing Owner (if franchisee is a business) and Operating Manager must attend and successfully complete our Initial Training Program. The cost of the Initial Training Program for you or your Managing Owner (as applicable) and Operating Manager is included in the Initial Training Fee. The charge for additional (and subsequent) attendees is \$2,500 per person.
- [3] In addition to paying the Initial Training Fee for you or your Managing Owner (as the case may be) and your Operating Manager to our Initial Training Program, you must also pay all of the living and transportation expenses that you or your Managing Owner (as the case may be) and Operating Manager incur in attending our Initial Training Program. Travel expenses depend on where your home base is located, whether you and your trainees can commute by car to our training base, and the number of people receiving the Initial Training Program. Lodging and food expenses depend on number of people being trained. You pay all these expenses. If you operate more than one Crafty Crab Restaurant, then you will only have to pay the Initial Training Fee in connection with the opening of your first Crafty Crab Restaurant. See Item 11.
- [4] If you do not have acceptable space for your Restaurant, you will have to lease at least 5,000 – 10,000 square feet in a suitable commercial building for Restaurant Location. Crafty Crab Restaurant Locations are usually at a strip shopping center or mall, and may be downtown, suburban, rural or on a highway. The estimated range of real property are based on the typical cost (in our experience) to lease a 5,000 – 10,000 square foot Restaurant Location in Jacksonville, Florida where the franchisor’s affiliate have experience with real estate costs, such as its principal/flagship corporate-owned location. Real estate costs may differ in other parts of the city or country. To estimate the rental expense for your Restaurant Location, apply the above square footage requirements to the local real estate rental costs in the area in your Territory where there are suitable buildings.
- [5] You may already have an appropriate Restaurant, or your cost of construction or leasehold improvement for your Restaurant may be minimal. An appropriate restaurant means one sufficiently similar to the construction, leasehold and other needs of a Crafty Crab restaurant so as to be an appropriate candidate for conversion to a Crafty Crab restaurant. The cost of construction or leasehold improvements will vary depending on your construction and renovation costs and how many of those costs the landlord will pay (if any). We will provide

you with a sample layout for the interior of a typical Crafty Crab Restaurant of the type that you will be operating and a set of typical preliminary plans and specifications for furniture, fixtures, equipment and/or décor for your type of Restaurant. You must employ architects, designers, engineers or others as necessary to complete, adapt, modify or substitute the layout, plans and specifications for the Restaurant, including any changes required by the landlord. Typically, you and the contractor you employ will negotiate a payment schedule. Generally, the landlord provides the space with demolition complete, exterior walls drywalled; an acoustical drop ceiling; working HVAC; and plumbing and electrical service to the space, or an equivalent amount of free rent to offset these costs. The contractor will install the leasehold improvements. Our estimate for construction, remodeling and leasehold improvements includes the estimated expense related to a franchisee's obligation to consult with architects, designers, engineers and contractors.

- [6] Except for modifications that we require, you may not modify the design, plans, fixtures, equipment, signage or decor of your Crafty Crab Restaurant at any time without our advance written permission.
- [7] You must purchase the required computer hardware, software, Internet connections and service, required dedicated telephone and power lines and other computer-related accessories, peripherals and equipment (the "Computer and Point of Sale System"). You must obtain high-speed communications access for your Computer and Point of Sale System, such as broadband, DSL or other high-speed capacity. You must also maintain a functioning e-mail address for your Business. See Item 11.
- [8] The initial inventory to open your business includes our proprietary seasoning and trademarked packaging, smallwares, employee uniforms, interior logos and table sets. You must purchase the initial inventory of our proprietary and trademarked products from us or an affiliate at an estimated cost ranging from \$20,038 to \$30,598. This amount is included in the estimate on the chart above.
- [9] Your landlord and utilities will set charges for security deposits and utility deposits. States and localities will set costs for permits and licenses.
- [10] This estimate includes the costs to form the business entity that will own and operate your Crafty Crab Business.
- [11] Actual cost depends on the work done by your accountant and attorney and their rates.
- [12] Depending on location, type and size of sign. Your signs must conform to specifications.
- [13] This estimate does not reflect your annual premium for the insurance coverage that we require in Item 6. It only reflects the amount that we estimate you will pay in insurance premiums during the construction of your Restaurant, which we estimate will take six (6) – nine (9) months.
- [14] A month before the scheduled opening of the franchised Business, you must spend \$5,000 on local advertising and promotion. After that, you must spend 1% of monthly Gross Revenues. Expenditures incurred for any incentive programs for your employees or agents, including the cost of honoring any discounts or coupons, and salaries and expenses of any of your employees may not count towards such local advertising and promotion unless we first approve them in writing.
- [15] Permits and licenses costs are set by the state and locality.
- [16] The estimate of additional funds for the initial phase of your Business is based on your staff salaries and operating expenses for the first three months of operation. The estimate of additional funds does not include an owner's salary or draw. The additional funds required will vary by your area; how much you follow our methods and procedures; your management skill, experience and business acumen; the relative effectiveness of your staff; local economic conditions; the local market for your products and services; the prevailing wage rate;

competition; and the sales level reached during the initial period. You must provide security deposits for utilities and rent (and possibly for other items).

- [17] We and our affiliates do not finance your initial investment. In compiling these estimates, we rely on our experience in operating and franchising businesses. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

**YOUR ESTIMATED INITIAL INVESTMENT  
(DEVELOPMENT OF 3 – 10 CRAFTY CRAB BUSINESSES UNDER AREA DEVELOPMENT AGREEMENT)**

(1) Type of expenditure	(2) Amount	(3) Method of payment	(4) When due	(5) To whom payment is to be made
Area Development Fee	\$50,000 – \$120,000 Item 5 and Note 1	Lump Sum	At signing of Area Development Agreement	Us
Professional Fees – Legal, Accounting, Etc.	\$1,000 - \$5,000 Note 2	As third party specifies in your agreement with them	As third party specifies in your agreement with them	Attorney / accountant / other professional business advisors
Total Investment Necessary to Begin Operation of One Crafty Crab Business (from above Item 7 table), minus the Initial Franchise Fee of \$40,000 which is credited in the above Area Development Fee	\$952,800 - \$1,831,399	As specified by the various payees	As incurred	Various applicable parties listed in preceding the Item 7 table
<b>TOTAL</b>	<b>\$1,003,800 to \$1,956,399 (Notes 3 and 4)</b>			

- [1] The low end of the Area Development Fee is for the development of 3 Crafty Crab Businesses and the high end is for the development of 10 Crafty Crab Businesses (but this is not a maximum).
- [2] The estimate of professional fees in this chart is in addition to the professional fees that we estimate you will pay in connection with developing each Restaurant.
- [3] If you sign an Area Development Agreement with us, then you will pay an Area Development Fee to us in full when you sign the Area Development Agreement. The Area Development Fee is equal to : (i) one hundred percent (100%) of the Initial Franchise Fee for the first Crafty Crab Business to be developed under the Franchise Agreement, plus (ii) a Ten Thousand Dollar (\$10,000) deposit (“Area Development Deposit”) for each subsequent Crafty Crab

Business you commit to establish and operate pursuant to the Development Schedule set forth in the Area Development Agreement.

The Initial Franchise Fee for each Crafty Crab Business to be developed pursuant to the Development Schedule set forth in the Area Development Agreement will be calculated according to the following schedule:

<u>Crafty Crab Business</u>	<u>Initial Franchise Fee</u>
First Crafty Crab Business	\$30,000
All Subsequent Crafty Crab Businesses	\$20,000

The Area Development Fee is fully earned when paid and it is not refundable under any circumstances.

- [4] For each franchised Crafty Crab Business you will operate under the Area Development Agreement, you must make the additional initial investment described above in the preceding Item 7 table. The Area Development Fee you pay upfront will be applied as a credit against the Initial Franchise Fee at the time the Franchise Agreement for that particular Business is signed. The amounts in the preceding Item 7 table may change, depending upon when you begin operation of each of your Crafty Crab Businesses, since costs of the items on the charts are likely to rise with the passage of time.

## **ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

You must purchase proprietary and trademarked products from us or our affiliate. These products include our proprietary seasoning and trademarked packaging, smallwares, uniforms, interior logos and table sets. See Item 6.

We and our affiliate are the only approved suppliers for our proprietary and trademarked products. Currently there are no other items for which we or our affiliates are approved suppliers or the only approved suppliers. No officer of ours or other person identified in Item 2 directly or indirectly owns any interest in or controls any approved supplier other than those who may own, for investment purposes only, up to 5% of the capital stock of a supplier which is a publicly held business entity whose shares are listed and traded on a national or regional stock exchange or through the National Association of Securities Dealers Automated Quotation System ("NASDAQ") where such ownership does not give the person any ability to control or influence that supplier.

We and/or our affiliates may derive revenue - - in the form of promotional allowances, volume discounts, commissions, other discounts, performance payments, signing bonuses, rebates, marketing and advertising allowances, free products, and other economic benefits and payments - - from suppliers that we designate, approve, or recommend for some or all Crafty Crab Restaurants on account of those suppliers' prospective or actual dealings with your Restaurant and other Crafty Crab Restaurants. That revenue may or may not be related to services we or our affiliates perform. All amounts received from suppliers, whether or not based on your or other franchisees' purchases from those suppliers, will be our and our affiliates' exclusive property, which we and our affiliates may retain and use without restriction for any purposes we and our affiliates deem appropriate. Any products or services that we or our affiliates sell you directly may be sold to you at prices exceeding our and their costs.

Since we have not previously sold franchises, we currently receive no revenues from sales of proprietary products to franchisees by us or a designee, but we will receive revenues from this source in the future.

You must purchase any proprietary computer software programs that we may develop in the future. See Item 6. You will be required to pay for any future updates or revisions. We do not currently sell and have received no revenues from sales of software updates or revisions to franchisees, but we will receive revenues from this source in the future.

We may also require you to purchase software support services from us, but currently we do not. See Item 6. Since we have not previously sold franchises, we currently receive no revenues from sales of software support services to franchisees, but we will receive revenues from this source in the future.

Currently there are no other items which you must buy from suppliers named or approved by us, except the proprietary and trademarked products described above.

You must purchase the required insurance – see Item 6. The insurance coverage we require you to procure and maintain are as follows:

1. Broad form comprehensive general liability coverage of at least \$1,000,000 aggregate and at least \$500,000 per occurrence, such insurance to embrace (without limitation) claims for personal injury, bodily injury, property damage and product liability. This insurance may not have a deductible or self-insured retention of over \$5,000.
2. Fire and extended coverage insurance on your Restaurant and property in an amount adequate to replace them in case of an insured loss.
3. Business interruption insurance in sufficient amounts to cover your Restaurant rental expenses, maintenance of competent personnel and other fixed expenses for a minimum of 120 days.
4. If any vehicle is operated in connection with the Business, automobile liability insurance (including coverage for all owned, non-owned, leased or hired vehicles) with minimum limits of liability in the greater of (a) the greatest amount required by any applicable federal, state or local law, or (b) \$1,000,000 for each person killed or injured and, subject to that limit for each person, a total minimum of \$2,000,000, along with a minimum limit of \$3,000,000 for injury, destruction or loss of use of property of third persons as a result of any one accident.
5. Workers' compensation, employer's liability and any other employee insurance required by any applicable federal, state or local law, rule or regulation (but in no event less than \$1,000,000 for employer's liability insurance), and employment practices liability insurance coverage in the amount of at least \$1,000,000.
6. In connection with the construction, refurbishment, renovation, remodeling or upgrading of your franchised Restaurant, builders' and/or contractor's insurance (as applicable) and performance and completion bonds in forms and amounts acceptable to us.
7. Insurance coverage of such types, nature and scope sufficient to satisfy your indemnification obligations under this Agreement (including, without limitation, insurance coverage to indemnify us from any claims alleging your violation of federal, state or local labor and/or wage and hour laws, rules or regulations).

You must participate in, and comply with the requirements of, any gift card, gift certificate, customer loyalty or retention program that we (or our affiliates) implement, at your expense, for all or part of our franchise system and shall sign the forms and take the other action that we require in order for you to participate in such programs. Without limitation, you must honor coupons, gift cards, gift certificates, or vouchers sold or distributed by other Restaurants and must utilize a vendor approved by us for gift card processing. You may not offer any coupon without our prior written approval.

You must procure and install the Computer and Point of Sale System approved by us or in accordance with our specifications. See Items 7 and 11.

We will provide you with specifications governing the minimum standards of certain products, services or equipment you procure from unrelated third parties in our Brand Standards or in other

written notices we transmit to you. We may modify our specifications in writing, and may add new specifications in writing. You may purchase these items from any supplier whose product, service or equipment meets our specifications.

We issue and modify specifications in writing, through our Brand Standards or other written notices to franchisees.

We do not maintain written criteria for approving suppliers, and thus these criteria are not available to you or your proposed supplier. If we name a supplier for a program, product, service or equipment and you wish to contract with a new or substitute supplier, then you must submit a written request to us for approval of that new or substitute supplier, together with the information, data and samples that we reasonably request to evaluate your proposed supplier's eligibility. To obtain our written approval, your proposed new or substitute supplier must:

- Demonstrate to our reasonable satisfaction that it has the skills, qualifications, financial condition and operational experience to fulfill its obligations to you;
- Demonstrate to our reasonable satisfaction that the proposed supplier's manufacturing and distribution capabilities are sufficient to furnish you (and other Restaurants) with the subject program, product, supply, equipment, material or service in a consistently timely, sanitary, hygienic and cost-efficient fashion;
- Demonstrate to our reasonable satisfaction that the quality of such program, product, service or equipment meets or exceeds our standards and specifications as they may change from time to time;
- Demonstrate to our reasonable satisfaction following our inspection or other review, that it is in good standing in the business community in all respects;
- Agree to grant us permission to inspect its facilities and to have samples from the supplier delivered either to us, an independent laboratory or another designee for testing, all at your and/or the proposed supplier's expense; and
- Agree to comply with such other requirements that we may deem appropriate, including our ability to conduct continuing inspections.

We may test, at your expense, the product or service of any supplier you propose, whether or not the supplier is then approved by us. We will give you notice of our approval or disapproval within thirty (30) days after receiving your proposal (including all information we reasonably request about the supplier and product in question). If we test the product or service, you must reimburse us for the actual costs we incur to evaluate the product, supplier or service you propose, plus pay us an additional 25% of our testing fee as an administrative and service fee. If we revoke approval of any supplier, we will give you written notice (in our Brand Standards or otherwise).

We currently negotiate no purchase arrangements with suppliers for the benefit of franchisees. There are no purchasing or distribution cooperatives. We provide you with no material benefits (such as granting additional franchises) based on your use of designated or approved sources. We and our affiliates receive no payments or rebates from any supplier, nor do we or our affiliates receive any special discount on purchases from any supplier for ourselves or themselves, in connection with purchases from our franchisees.

We estimate that the required purchases and leases described above are 4% to 7% of the cost of all purchases and leases of the goods and services in establishing a franchised Crafty Crab Business and approximately 20% to 23% of all purchases and leases of the goods and services in operating a franchised Crafty Crab Business.

## ITEM 9 FRANCHISEE'S OBLIGATIONS

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

### Franchise Agreement

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Article 6 of Franchise Agreement, Exhibit C	Items 7 and 11
b. Pre-opening purchases/leases	Sections 6.02, 7.02, 8.08, 9.01 and 10.03 of Franchise Agreement	Items 6, 7, 8 and 11
c. Site development and other pre-opening requirements	Article 6 of Franchise Agreement	Not Applicable
d. Initial and ongoing training	Sections 7.02 - 7.04 of Franchise Agreement	Item 11
e. Opening	Section 8.01 of Franchise Agreement	Item 11
f. Fees	Article 5, Article 7, Sections 11.01, 14.04 and 14.05 of Franchise Agreement	Items 5 and 6
g. Compliance with standards and policies/Operating Manual	Articles 8 - 11 of Franchise Agreement	Items 7, 8, 11, 15 and 16
h. Trademarks and proprietary information	Articles 12, 15 and 18 of Franchise Agreement	Items 13 and 14
i. Restrictions on products/services offered	Sections 3.03 and 8.08 of Franchise Agreement	Item 16
j. Warranty and customer service requirements	Section 8.25 of Franchise Agreement	Item 16
k. Territorial development and sales quotas	Not Applicable	Item 12
l. Ongoing product/service purchases	Section 9.07 and 9.08 of Franchise Agreement	Items 6 and 8
m. Maintenance, appearance and remodeling requirements	Sections 8.06, 13.01 and 14.04 of Franchise Agreement	Item 11
n. Insurance	Article 9 of Franchise Agreement	Item 6
o. Advertising	Article 10 of Franchise Agreement	Item 11



	<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
p.	Indemnification	Section 8.10 of Franchise Agreement	Item 6
q.	Owner's participation/management/staffing	Sections 8.07 and 8.18 of Franchise Agreement	Item 15
r.	Records and reports	Article 11, Sections 5.05 and 8.06 of Franchise Agreement	Item 6
s.	Inspections and audits	Sections 8.06, 8.11, 11.02 of Franchise Agreement	Item 6
t.	Transfer	Article 14 of Franchise Agreement	Item 17
u.	Renewal	Article 13 and Section 4.02 of Franchise Agreement	Item 17
v.	Post-termination obligations	Article 18, Section 32.01 of Franchise Agreement	Item 17
w.	Non-competition covenants	Article 12 of Franchise Agreement and Exhibits E and F	Item 17
x.	Dispute resolution	Articles 23-25, 27, 30-31, 33-34 of Franchise Agreement	Item 17
y.	Personal guarantee	Section 31.02 of Franchise Agreement and Exhibit H	Item 15
z.	Comply with coupons, gift certificates and voucher programs	Section 8.27 of Franchise Agreement	Items 8 and 11

**Area Development Agreement**

	<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
a.	Site selection and acquisition/lease	Article 3 of Area Development Agreement, Exhibit A and Exhibit B	Items 7 and 11
b.	Pre-opening purchases/leases	Not Applicable	Items 6, 7, 8 and 11
c.	Site development and other pre-opening requirements	Articles 6, 8 and 9 of the Area Development Agreement	Not Applicable
d.	Initial and ongoing training	Section 8.01 of Area Development Agreement	Item 11

	<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
e.	Opening	Section 6.01 of Area Development Agreement	Item 11
f.	Fees	Articles 5 and 9 of Area Development Agreement	Items 5 and 6
g.	Compliance with standards and policies/Operating Manual	Article 9 of Area Development Agreement	Items 7, 8, 11, 15 and 16
h.	Trademarks and proprietary information	Articles 10, 11 and 13 of Area Development Agreement and Exhibits B, C and D	Items 13 and 14
i.	Restrictions on products/services offered	Articles 3 and 9 of Area Development Agreement	Item 16
j.	Warranty and customer service requirements	Not Applicable	Item 16
k.	Territorial development and sales quotas	Article 6	Item 12
l.	Ongoing product/service purchases	Not Applicable	Items 6 and 8
m.	Maintenance, appearance and remodeling requirements	Not Applicable	Item 11
n.	Insurance	Not Applicable	Item 6
o.	Advertising	Not Applicable	Item 11
p.	Indemnification	Section 9.03 of Area Development Agreement	Item 6
q.	Owner's participation/management/staffing	Sections 9.06 of Area Development Agreement	Item 15
r.	Records and reports	Section 9.04 of Area Development Agreement	Item 6
s.	Inspections and audits	Not Applicable	Item 6
t.	Transfer	Article 12 of Area Development Agreement	Item 17
u.	Renewal	Not Applicable	Item 17
v.	Post-termination obligations	Articles 15 and 16 of Area Development Agreement	Item 17

	<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
w.	Non-competition covenants	Article 11 of Area Development Agreement and Exhibits C and D	Item 17
x.	Dispute resolution	Article 18 of Area Development Agreement	Item 17
y.	Personal guarantee	Section 18.15 of Area Development Agreement	Item 15

**ITEM 10 FINANCING**

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

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

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

**Pre-Opening Obligations – Area Development Agreement:**

If you sign an Area Development Agreement with us, then, under the Area Development Agreement, we will:

- (1) Designate your Development Territory, your Franchise Territories within your Development Territory, the number of Businesses you will open, and the development schedule setting the timetable you will follow for opening the Businesses, based on our mutual agreement. (Area Development Agreement, Sections 3.01 and 6.01) You and we will decide on your Development Territory together, considering factors such as the general locations and neighborhoods and proximity to customers in the Development Territory we are considering; traffic patterns in the Development Territory; co-tenant attractiveness in the sites available in the Development Territory; size of the available spaces in the Development Territory; age and condition of the buildings in which the Restaurant Locations might be situated in the Development Territory being considered; the availability of locations and necessary zoning in the Development Territory; and, the location of competitors in the Development Territory. In deciding on the number of Crafty Crab Restaurant Businesses and the development schedule for opening them, you and we will consider factors such as the potential total number of Businesses in the Development Territory; how aggressive the opening schedule should be; your experience, if any, in the industry; your experience in franchising; and, the capital commitment you are able and willing to make. If you and we do not agree on the Development Territory or the number of Restaurants to be opened and the development schedule, then you and we will not sign an Area Development Agreement. We do not approve or disapprove of the sites for your Restaurant Locations under the Area Development Agreement; we do this under, and pursuant to the terms and conditions set forth in, the unit Franchise Agreement and in accordance with our then-current standards imposed in connection with same.
- (2) Under the unit Franchise Agreements, approve or disapprove the sites you propose for your Restaurant Locations within your Development Territory in accordance with our then-current site criteria, perform the training, instruction, assistance and other activities and services for which the Franchise Agreements provide. (Area Development Agreement, Section 8.01).

## Pre-Opening Obligations – Franchise Agreement

Before you open your Restaurant, we will:

- (1) Designate your Territory. (Franchise Agreement, Section 3.01, Exhibit A)
- (2) Approve or disapprove a site for your Restaurant Location. We do not currently own sites for leasing to franchisees. You must select the site for your Restaurant Location in your Territory within 60 days following our execution of your Franchise Agreement. We will approve or disapprove your proposed site within 30 days from the date we receive the site information for your proposed Restaurant Location. (Franchise Agreement, Section 6.01)

We may require you to submit maps, completed checklists, photographs, copies of proposed leases, diagrams of the premises with measurements and other information and materials which we may reasonably require to evaluate your proposed Restaurant Location. We may visit your proposed Restaurant Location but the Franchise Agreement does not require us to do so.

We consider the following factors in approving sites: the size of your Territory; the market potential and estimated volume of your Business; the general location and neighborhood and nearness to customers; store visibility; traffic patterns; co-tenant attractiveness; size of the space; age and condition of the shopping center or building; the location and convenience of entrances; the availability of parking; the availability of locations and necessary zoning; the location of competitors; expected overhead; lease terms; and, traffic patterns.

If you and we cannot agree upon a Restaurant Location within 60 days following the effective date of the Franchise Agreement, then either you or we can terminate the Franchise Agreement. If either of us does so, then all funds you paid us will be considered earned by us. (Franchise Agreement, Section 6.01)

- (3) Approve or disapprove the lease or purchase agreement for the Restaurant Location within 20 business days after we receive it. If we do not communicate our approval or disapproval to you in that time, and if the Lease is accompanied by a rider containing the required provisions of Exhibit C to the Franchise Agreement, the agreement is approved. (Franchise Agreement, Section 6.02)
- (4) Review your final plans and specifications for the Restaurant promptly and approve or provide comments on the plans and specifications to you. You may not commence construction of the Restaurant until we approve the final plans and specifications in writing. We may provide you with the names of designated or approved suppliers and specifications for some items of the design, construction, furniture, fixtures, equipment and decoration of the Restaurant. (Franchise Agreement, Section 6.03 and 6.04) We do not assist you with conforming the premises to local ordinances and building codes and obtaining any required permits, and/or constructing, remodeling, or decorating the premises, and/or hiring and training employees.
- (5) If we determine to do so, specify the electronic and/or written accounting and MIS Systems, procedures, formats and reporting requirements which you will use to account for your Business; maintain your financial records and merchandising data; and, generate reports for both you and us. (Franchise Agreement, Section 7.06)
- (6) Lend you a copy of the Confidential Operating Brand Standards (the “Brand Standards”). You must strictly comply with the Brand Standards in operating your Business. We can change the Brand Standards, and you must comply with these changes when you receive them, but they will not materially alter your rights and obligations under the Franchise Agreement. (Franchise Agreement, Section 7.01)

The following is the Table of Contents of our operating manual as of the date of this disclosure document:

<b>TOPIC</b>	<b>NUMBER OF PAGES</b>
Food Safety Key Factors	3
Warehousing and Storage	2
Hygiene and Handwashing	4
Sanitation and Cleaning	3
Flow of Food	1
HACCP	3
Management: Safety and Security	5
Inventory Control	3
Customer Relations	2
Employee Relations	16
Training	4
Cash Management	3
Front of the House: Opening	2
Host	2
Server	4
Closing	1
Back of the House: Opening	2
Closing	3
Preparation	22
Cooking	23
<b>TOTAL PAGES</b>	<b>108</b>

- (7) Furnish you with any written specifications for required products and services. (Franchise Agreement, Section 8.08)
- (8) If we develop it in the future, furnish you with our proprietary computer software program. See below in this Item 11. (Franchise Agreement, Section 8.08)
- (9) Sell you our proprietary products. See Item 6. (Franchise Agreement, Section 9.07)
- (10) Approve or disapprove any advertising, direct mail, identification and promotional materials and programs you propose within 10 business days of receipt. If we do not respond within 10 business days, the material is disapproved. (Franchise Agreement, Section 10.02)
- (11) Furnish requirements for the selection, training and duties of your personnel and Operating Manager(s). (Franchise Agreement, Sections 8.07, 8.18)
- (12) If we determine to do so, exercise rights concerning franchisee pricing of products and services to the fullest extent permitted by then-applicable law. These rights may include, for example prescribing the maximum and/or minimum retail prices which you may charge customers; recommending the prices you charge customers; advertising specific retail prices for some or all products or services sold by your franchised Restaurant, which prices you will

be compelled to observe; engaging in marketing, promotional and related campaigns which you must participate in and which may directly or indirectly impact your retail prices; and, otherwise mandating, directly or indirectly, the maximum and/or minimum retail prices which your franchised Restaurant may charge the public. We may do so only in certain geographic areas (cities, states, regions) and not others, or with regard to certain groups of franchisees and not others. Any maximum, minimum or other prices we prescribe or suggest may or may not optimize the revenues or profitability of your franchised Restaurant. Suggest prices for your products or services. Any schedule of prices contains only non-mandatory recommendations. You need not accept any of our advice about prices. We do not claim that our suggestions will increase your revenues or profitability. (Franchise Agreement, Section 7.07)

- (13) If the Restaurant is the first Restaurant established by you or your affiliates, we will provide such on-site pre-opening and opening assistance as we reasonably deem appropriate; provided, that you will reimburse us for any expenses incurred by our representatives, such as costs of travel, lodging, meals and wages. If the Restaurant is not the first Restaurant established by you, and you request our pre-opening and opening assistance, or we otherwise deem such assistance appropriate, we may charge a reasonable fee for our services, in addition to requiring you to pay or reimburse us for any expenses incurred by our employees or representatives. (Franchise Agreement, Section 7.03)
- (14) Once we receive your request to open your Restaurant, we will notify you in writing whether or not the Restaurant meets our standards and specifications. (Franchise Agreement, Section 8.01)

### **Obligations After Opening**

During the operation of the franchised business, we will:

- (1) Furnish you with the field support services, supervision and/or assistance that we consider advisable through on-site visits, off-site sessions, telephonic, electronic or other communication modes. You may also at any time communicate with our headquarters for consultation and guidance with respect to the operation and management of your Crafty Crab Restaurant. The timing of these services will be subject to the availability of our personnel. (See Franchise Agreement, Section 7.05)
- (2) If we determine to do so, provide standard electronic accounting forms, other accounting forms and electronic reports, as part of our Brand Standards or otherwise. (Franchise Agreement, Section 7.06)
- (3) Approve or disapprove any advertising, direct mail, identification and promotional materials and programs you propose within 10 business days of receipt. If we do not respond within 10 business days, the material is disapproved. (Franchise Agreement, Section 10.02)
- (4) Furnish you with any specifications for required products and services. (Franchise Agreement, Section 8.08)
- (5) Sell you our proprietary products. See Item 6. (Franchise Agreement, Section 8.08.)
- (6) Continue, if we determine to do so, to engage in the pricing activities described above in this Item 11. (Franchise Agreement, Section 7.07)
- (7) Furnish requirements for the selection, training and duties of your personnel and Operating Manager(s). (Franchise Agreement, Sections 8.07 and 8.18)

### **Advertising**

#### ***Advertising Cooperatives***

The Franchise Agreement gives us the power to require cooperatives to be formed, changed, dissolved or merged. There are currently no advertising cooperatives. We will notify you in writing of the starting date and amount of your advertising cooperative contributions, if we form a regional

Advertising Cooperative for your area. We will determine the area of each Advertising Cooperative based on an area that we consider likely to be able to advertise effectively on a cooperative regional basis. Your contributions will be no more than 1% of Gross Revenues (unless the Cooperative changes the maximum contribution under its By-Laws; see Franchise Agreement, Section 11.04 and Sample By-Laws, Exhibit G to the Franchise Agreement). Expenditures by the Regional Advertising Cooperative need not be in proportion to the contributions you make (or any other franchisee makes).

A Regional Advertising Cooperative may spend funds for: developing advertising ideas and concepts; developing market research and merchandising programs; preparing advertising campaigns; developing promotional ideas and strategies; preparing collateral creative materials; preparing advertisements (including writing, filming, editing, etc.); planning, negotiating, contracting and trafficking media programs; technical and professional advice for programs; public relations; and, administration of the Cooperative, including legal and accounting services to administer the Cooperative.

The Regional Advertising Cooperative will not be required to prepare annual or periodic financial statements. However, any financial statements that are generated as part of the books and records of the Cooperative will be available for review by franchisees that are members of the Cooperative. The Regional Advertising Cooperative will provide financial information about the Cooperative's operations upon request of the Board of the Cooperative, and the Board will then, in its discretion, present the report to you and the other members of the Cooperative at the next regular meeting or at a special meeting. (See Section 11.02 of the Sample By-Laws, Exhibit G to the Franchise Agreement.)

### ***Advertising Fund***

You must contribute to our advertising fund (see Item 6). (Franchise Agreement, Section 11.01.)

We will direct all advertising programs and control the creative concepts, materials and media used, media placement and allocation. We need not make expenditures for you which are equivalent or proportionate to your contributions. We need not ensure that any particular franchisee benefits directly or proportionately from Fund advertising. The Fund is not a trust and we are not a fiduciary.

The Fund may be used to meet all costs of administering, directing, preparing, placing and paying for national, regional or local advertising. This includes: television, radio, magazine, newspaper and worldwide web/internet advertising campaigns; other advertising, marketing and public relations materials; point-of-purchase materials; consumer research, interviews and related activities; the creation, maintenance and periodic modification of the Crafty Crab website; reviewing any advertising material you propose to use (as provided below); search engine optimization; establishing a third party facility for customizing local advertising materials; accounting for Crafty Crab Fund receipts and expenditures; attendance at industry related conventions, shows or seminars; advertising at sports events; mailers, door hangers, freestanding inserts/coupons, brochures and sponsorships; mystery shoppers (both for the Crafty Crab System and for competitive networks or units); celebrity endorsements; other activities that we believe are appropriate to enhance, promote and/or protect the Crafty Crab System; and, engaging advertising agencies to assist in any or all of the above activities, including fees to have print, broadcast and/or internet advertising placed by an agency, and all other public relations and advertising agency fees.

We need not maintain the money paid by franchisees to the Fund and income earned by the Fund in a separate account, but we may not use this money for any purposes other than those provided for in the Franchise Agreement. We can spend money from the Fund for our reasonable administrative costs and overhead for activities reasonably related to the administration of the Fund and advertising programs for franchisees, including, for example, preparing marketing and advertising materials; working with advertising agencies, advertising placement services and creative talent; preparing an accounting of contributions to the Fund and the annual statement of Fund contributions and expenditures described below; and, otherwise devoting our personnel, resources and/or funds for the benefit of the Fund. Our right to expend monies from the Fund to

reimburse us for these activities does not include any advertising agency fees which the Fund must pay to secure the services of an advertising agency or to have print, broadcast or internet advertising placed by an agency.

Within 60 days following the close of our fiscal year, we will prepare (but not audit) a statement detailing Fund income and expenses for the fiscal year just ended. We will send you a copy of this statement upon request.

We will spend most contributions to the Fund for advertising purposes during the fiscal year in which the contributions are made. If not all advertising funds are spent in the fiscal year in which they accrue, we will use the remaining amount in the future for the benefit of the franchisees and the System. If franchisees request, we will provide them with an annual accounting of how advertising funds are spent, as stated in the paragraph immediately above.

We can use whatever media, create whatever programs and allocate advertising funds to whatever regions or localities we consider appropriate. The allocation may include rebates to individual franchisees of some or all of their Fund contributions for local advertising expenditures if, in our judgment, our national or regional advertising program or campaign cannot effectively advertise or promote in certain regions or communities. If we determine that the total Crafty Crab Fund Contributions collected from all Crafty Crab franchisees and company-owned units is insufficient to sustain a meaningful regional or national advertising campaign, we may rebate all or a portion of the Fund contributions to franchisees and our (or our affiliates') company-owned units on a proportionate basis. You must spend any rebate on the types of local advertising and media that we determine (or, if we direct, in accordance with the local advertising and promotion requirements of the Franchise Agreement) according to a plan and budget we review and approve in advance. You must document all rebate advertising expenditures to us in a monthly rebate advertising expenditure report form.

The Fund will not be used for any activity whose sole purpose is the sale of franchises. However, the design and maintenance of our Web site (for which Fund monies may be used) may include information and solicitations for prospective franchisees and public relations and community involvement activities which may result in greater awareness of the Crafty Crab brand and the franchise opportunity.

Although we intend the Fund to be perpetual we can terminate the Fund. We will not terminate the Fund until it has spent all money in the Fund for advertising and promotional purposes.

None of the Crafty Crab Business which we or our affiliates currently operate (or may in the future establish and operate) will contribute to the Fund.

We did not collect or use any System Advertising Contributions during our most recently concluded fiscal year, since we did not have any franchisees.

### ***Advertising Council***

There is no advertising council composed of franchisees. The Franchise Agreement does not give us the power to form, change, or dissolve a franchisee advertising council.

### ***Other Advertising Information***

There is no obligation for us to maintain any advertising program or to spend any amount on advertising in your area or territory. We currently advertise using print, radio and television, with local, regional and national coverage. We currently employ both an in-house advertising department and national or regional advertising agencies.

You may develop advertising materials for your own use, at your own cost. As stated above, we must approve these advertising materials in advance and in writing, but if we do not respond within ten business days after receiving your proposed advertising material, the material is disapproved.

You must promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from us.



## **Web Sites**

We alone may establish, maintain, modify or discontinue all internet, worldwide web and electronic commerce activities pertaining to the Crafty Crab System. We may establish one or more websites accessible through one or more uniform resource locators ("URL's") and, if we do, we may design and provide for the benefit of your franchised Crafty Crab Business a "click through" subpage at each of these websites for the promotion of your Business. If we establish one or more websites or other modes of electronic commerce and if we provide a "click through" subpage at each of these website for the promotion of your Business, you must routinely provide us with updated copy, photographs and news stories about your franchised Crafty Crab Restaurant suitable for posting on your Restaurant's "click through" subpage, We will specify the content, frequency and procedure of these in our Brand Standards. Any websites or other modes of electric commerce that we establish or maintain may – in addition to advertising and promoting the products, programs or services available at Crafty Crab Restaurants – also be devoted in part to offering Crafty Crab Restaurant franchises for sale and be utilized by us to exploit the electronic commerce rights which we reserve (see Item 12). In addition to these activities, we may also establish an intranet through which downloads of operations and marketing materials, exchanges of franchisee email, Crafty Crab System discussion forums and systemwide communications (among other activities) can be effected. You may not maintain your own website; otherwise maintain a presence or advertise on the internet or any other mode of electronic commerce in connection with your franchised Crafty Crab Business; establish a link to any website we establish at or from any other website or page; or, at any time establish any other website, electronic commerce presence or URL which in whole or in part incorporates the "Crafty Crab" name or any confusingly similar name.

Notwithstanding the foregoing, we may in our business judgment permit you to maintain your own social media page for your franchised Business, through the use of a page or profile on a social media website such as Facebook, Snapchat, Instagram, TikTok or Twitter. Besides possibly maintaining a social media page, you may not otherwise maintain a presence or advertise on the internet through any other mode of electronic commerce in connection with your franchised Business; establish a link to any website we establish at or from any other website or page; or, at any time establish any other website, social media (unless we permit you to do so) or electronic commerce presence which in whole or in part incorporates the "Crafty Crab" name or any name confusingly similar thereto. If you wish to establish and maintain a social media page and/or profile for your Crafty Crab Restaurant, you must obtain our prior written consent which we can withhold for any reason or no reason. If we permit you to establish and maintain a social media page or profile for your Crafty Crab Restaurant, you acknowledge and expressly agree to strictly comply with our social media policy as set forth in our Brand Standards which we may modify from time (including providing us with administrative access to your social media page and/or profile).

We alone will be, and at all times will remain, the sole owner of the copyrights to all material which appears on any Crafty Crab website we establish and maintain, including all material you may furnish to us as described above.

We may in our business judgment (but are not obligated to) establish an intranet through which downloads of operations and marketing materials, exchanges of franchisee email, Crafty Crab System discussion forums and systemwide communications (among other activities) can be effected.

## **Merchandise Materials**

We may, from time to time provide to you (or have our designated 3<sup>rd</sup>-party vendor provide to you) certain merchandising materials identifying the System and to support national promotions, such as menu panels, point of purchase advertising materials, System memorabilia and other brand-relevant merchandise. You will be required to pay the cost for these materials, including shipping and insurance.

## **Computer and Point of Sale System**

Before the commencement of operation of the franchised Restaurant, you must purchase the required computer hardware, software, Internet connections and service, required dedicated telephone and power lines and other computer-related accessories, peripherals and equipment (the "Computer and Point of Sale System"). See Item 7 for the cost of the Computer and Point of Sale System. You must obtain high-speed communications access for your Computer and Point of Sale System, such as broadband, DSL or other high-speed capacity. You must also maintain a functioning e-mail address for your Business and such wi-fi service for your customers as we may designate in the Brand Standards.

Despite the fact that you agree to buy, use, and maintain the Computer and Point of Sale System according to our standards and specifications, you will have sole and complete responsibility for: (1) the acquisition, operation, maintenance, and upgrading of the Computer and Point of Sale System; (2) the manner in which your Computer and Point of Sale System interfaces with our and any third party's computer system; and (3) any and all consequences if the Computer and Point of Sale System is not properly operated, maintained, and upgraded.

You must provide all assistance we require to bring your Computer and Point of Sale System on-line with our headquarters computers at the earliest possible time and to maintain this connection as we require. You must input and maintain in your Computer and Point of Sale System all data and information which we prescribe in our Brand Standards, in our proprietary software and manuals if any, and otherwise. We will have independent access to the information on your Computer and Point of Sale System and may retrieve from your Computer and Point of Sale System all information that we consider necessary, desirable or appropriate. We will bear the costs (if any) of this information retrieval. There are no contractual limits to our access to the information on your Computer and Point of Sale System. You must accurately, consistently and completely record, structure, capture and provide through the Computer and Point of Sale System all information concerning the operation of the franchised Business that we require, in the form and at the intervals that we require. We may also from time to time adjust requirements pertaining to capturing and relaying to us customer information and data.

If we develop proprietary software programs in the future, you will be required to use such proprietary software programs in connection with the operation of your Restaurant. When we request, you must sign our standard form Software License Agreement (Exhibit D to the Franchise Agreement. The Initial Franchise Fee includes the purchase price. You pay for any future updates or revisions. You must buy new or upgraded programs and materials from us if we adopt them system-wide, at the prices we set. You agree to use proprietary software and software support services that either we develop and provide or which are provided by a third party supplier we designate, and you will execute any standard form software license agreement reasonably necessary to do so. You agree to purchase from us or our designee, as applicable, new, upgraded or substitute proprietary software whenever we determine to adopt them systemwide, at the prices and on the terms that we or such third party vendor establish, but you will not be required to do so more than once in any calendar year. You will pay for new or updated programs and materials when you order them. (Franchise Agreement, Section 8.08)

If we or our affiliates implement any gift card, gift certificate, customer loyalty or retention program, you must purchase any required software, hardware or materials to participate in that program that meets our specifications. (Franchise Agreement, Section 8.27)

The following is a general description of our Computer and Point of Sale System, which will vary depending on your Restaurant's square footage. Each Restaurant's kitchen is required to have two (2) kitchen printers, two (2) kitchen alarms, an ethernet switch hub and a router, plus, a station combo to cover approximately every 1,250 sq. ft of your Restaurant. The station combo consists of: (i) an iPad, (ii) iPad stand, (iii) iPad case, (iv) credit card reader, (v) credit card reader dock, (vi) cash drawer and (vii) a front of house printer.

- For Restaurants that are 5,000 – 6,249 square feet, the Computer and Point of Sale System will comprise of the following components: Four (4) iPads, four (4) iPad Stands, four (4) iPad cases, four (4) printers, four (4) credit card readers, four (4) credit card reader docks, four (4) cash drawers, an ethernet switch hub, a router and two (2) kitchen alarms.
- For Restaurants that are 6,250 – 7,499 square feet, the Computer and Point of Sale System need the following components: Five (5) iPads, five (5) iPad Stands, five (5) iPad cases, five (5) printers, five (5) credit card readers, five (5) credit card reader docks, five (5) cash drawers, an ethernet switch hub, a router and two (2) kitchen alarms.
- For Restaurants that are 7,500 – 8,249 square feet, the Computer and Point of Sale System will need the following components: Six (6) iPads, six (6) iPad Stands, six (6) iPad cases, six (6) printers, six (6) credit card readers, six (6) credit card reader docks, six (6) cash drawers, an ethernet switch hub, a router and two (2) kitchen alarms.
- For Restaurants that are 8,250 – 9,999 square feet, the Computer and Point of Sale System will need the following components: Seven (7) iPads, seven (7) iPad Stands, seven (7) iPad cases, seven (7) printers, seven (7) credit card readers, seven (7) credit card reader docks, seven (7) cash drawers, an ethernet switch hub, a router and two (2) kitchen alarms.
- For Restaurants that are 10,000 square feet, the Computer and Point of Sale System will need the following components: Eight (8) iPads, eight (8) iPad Stands, eight (8) iPad cases, ten (10) printers, eight (8) credit card readers, eight (8) credit card reader docks, eight (8) cash drawers, an ethernet switch hub, a router and two (2) kitchen alarms.

The Computer and Point of Sale System will range between \$4,000 and \$7,000, depending on the square footage of your Restaurant.

You must keep your Computer and Point of Sale System in good maintenance and repair. If we run tests and determine that the installation will benefit you and us, you must install (at your own expense) whatever additions, changes, substitutions and replacements to your computer hardware, software, telephone and power lines, etc. we direct. You must install these items when we direct. You will pay for these items at the time and upon the terms that the sellers specify. There is no contractual limit on our ability to require you to upgrade the system, add components to the system and replace components of the system. You must incur the costs of obtaining computer hardware and software comprising the Computer and Point of Sale System or required service or support (which might include fees payable to us and/or our affiliates), even though we cannot estimate these future costs and even though these costs might not be fully amortizable over the Franchise Agreement's remaining term. We have no obligation to reimburse you for any Computer and Point of Sale System costs.

### **Training**

After you obtain your Restaurant Location and at least six (6) weeks before the opening of your Crafty Crab Business, we will provide our Initial Training Program to you (if you are an individual) or your Managing Owner (if you are a business entity) and your Operating Manager. The following is description of our Initial Training Program as of the date of issuance of this Disclosure Document:

### TRAINING PROGRAM

Subject	Hours Of Classroom Training	Hours Of On-The-Job Training	Location
Introduction in the System	0.5	0	Crafty Crab Corporate Office & Corporate owned Restaurant in Florida
Marketing Strategy	1.0	0	Crafty Crab Corporate Office & Corporate owned Restaurant in Florida
Interior Design	1.0	0	Crafty Crab Corporate Office & Corporate owned Restaurant in Florida
Operation Management	2.0	0	Crafty Crab Corporate Office & Corporate owned Restaurant in Florida
Operation-Food Safety	1.0	0	Crafty Crab Corporate Office & Corporate owned Restaurant in Florida
Operation Front of the House	1.0	0	Crafty Crab Corporate Office & Corporate owned Restaurant in Florida
Operation Back of the House	2.0	0	Crafty Crab Corporate Office & Corporate owned Restaurant in Florida
Operation Customer Service	0.5	0	Crafty Crab Corporate Office & Corporate owned Restaurant in Florida
Hours of On the Job Training: Preparation	0	32	Crafty Crab Corporate Office & Corporate owned Restaurant in Florida
Back of House- Opening	0	24	Crafty Crab Corporate Office & Corporate owned Restaurant in Florida
Back of House-Closing	0	24	Crafty Crab Corporate Office & Corporate owned Restaurant in Florida
Front of House-Opening	0	16	Crafty Crab Corporate Office & Corporate owned Restaurant in Florida
Front of House-Closing	0	16	Crafty Crab Corporate Office & Corporate owned Restaurant in Florida

Subject	Hours Of Classroom Training	Hours Of On-The-Job Training	Location
TOTAL TRAINING HOURS	8	112	Crafty Crab Corporate Office & Corporate owned Restaurant in Florida

We conduct the Initial Training Program approximately twelve (12) times a year (or more frequently, if needed) at our headquarters offices in Green Cove Springs, Florida and at a Crafty Crab Restaurant in Green Cove Springs, Florida. We may also, in our business judgment, conduct a portion of our Initial Training Program via Zoom or other video conferencing platform we elect. The instructional materials consist of our Brand Standards. The minimum experience of the instructors in the field relevant to the subject taught and to our operations is from five (5) to eight (8) years.

The Initial Training Program is mandatory for the franchisee (if an individual) or your Managing Owner (if the franchisee is a business entity) and your Operating Manager. The Initial Training Fee includes the cost of the Initial Training Program for two (2) people, including you (if the franchisee is an individual) or your managing Owner (if the franchisee is a business entity) and your Operating Manager. If you will be operating more than one Crafty Crab Restaurant, then you will only have to pay the Initial Training Fee in connection with the opening of your first Crafty Crab Restaurant.

You (if an individual) or your Managing Owner (if you are a business entity) and your Operating Manager must attend and complete the Initial Training Program to our satisfaction. If you, your Managing Owner or your Operating Manager fails to successfully complete the Initial Training Program, then the person who failed can re-enroll in our next scheduled Initial Training Program at no additional charge. We can terminate the Franchise Agreement if the person fails to successfully complete the Initial Training Program again.

Any Operating Managers you appoint after the opening of your Crafty Crab Business must attend and successfully complete our next scheduled Initial Training Program at a charge of \$2,500 per person. You must pay their transportation costs, meals, lodging and other living expenses.

See Item 6 for information about charges for training additional or subsequent trainees.

You can request on-site training and/or assistance at any time. We will provide it at our option, but the franchise agreement does not require us to provide it. The timing of all on-site and off-site advice, consultation and training (after the Initial Training Program) will be subject to the availability of our personnel.

We may from periodically conduct an annual conference, convention or training session. We will determine the duration, curriculum and location of these. You (if an individual) and your Operating Manager must attend each annual conference, convention or training session.

You must pay all the expenses incurred by your trainees or attendees in connection with the Initial Training Program and any other training, conferences, conventions or other meetings your trainees attend, including, for example, their salaries, transportation costs, meals, lodging and other living expenses. (Franchise Agreement, Section 7.02)

### **Time to Open**

You must open your Restaurant within twelve (12) months after we sign your Franchise Agreement. We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of your Crafty Crab business six (6) to twelve (12) months. Factors affecting time include attendance at and satisfactory completion of our Initial Training Program, obtaining a satisfactory Restaurant site, arranging for any financing, complying with local ordinances, completing delivery and installation of equipment and signs and procuring opening inventory.

## ITEM 12 TERRITORY

### **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. We will grant you a geographic area (the "Territory"). The minimum Territory we grant you will consist of a: (i) five (5) mile radius surrounding the Restaurant Location, if the Restaurant Location is located in a suburban area or (ii) the lesser of: (1) five (5) city blocks or (2) a 1 mile radius surrounding the Restaurant Location if it is located in an urban area. We will describe your Territory in detail in Exhibit A to your Franchise Agreement.

You may operate your franchised Business from only one Restaurant Location. "Restaurant Location" means a location you select and we approve, from which you conduct the Crafty Crab Business.

You may not relocate the Restaurant without our previous written approval. You must reimburse us for any reasonable costs we incur in considering your request. We will grant approval if you are in compliance with the Franchise Agreement, you have paid all money owed to us and our affiliates, the proposed location meets our site selection criteria, and you comply with the lease requirements in the Franchise Agreement. We may, if we wish, inspect your proposed new location.

Your Crafty Crab Business may only offer and sell its products and services from your Crafty Crab Restaurant. Your Business may not sell any products or services outside of the Territory (except as described in the following paragraphs) or through any alternative channels of distribution, such as the internet/worldwide web and other forms of electronic commerce; "800" or similar toll-free telephone numbers; supermarkets, grocery stores and convenience stores; mail order; catalogs; television sales (including "infomercials"); food trucks; take-away premises; online networks; other permanent, temporary or seasonal food service facilities; or, any other channel of distribution whatsoever except for a Restaurant in your Territory.

While the Franchise Agreement is in effect, we and our affiliates will not, in your Territory, operate a company-owned Crafty Crab Business of the type franchised, or grant a franchise for a similar or competitive business, except as described below. Outside the Territory, we and our affiliates can operate any number of Crafty Crab Restaurants, and/or authorize others to operate them, at any location, including locations that may be near, but not within, the Territory.

We and/or our affiliates may engage in any type of business activity in or outside the Territory except as we are restricted as described in the preceding paragraph. The Franchise Agreement does not confer upon you any right to participate in or benefit from any other business activity, whether it is conducted under the Proprietary Marks or not. For example, we and/or our affiliates may own, operate or authorize others to own or operate any type of business at any location, including within your Territory, so long as the other business does not sell under the Proprietary Marks the type of products or services which your Crafty Crab Business offers and sells, except as permitted below. You will receive no compensation for these businesses' sales.

Only we and/or our affiliates have the right to sell within and outside your Territory, under the Proprietary Marks, all products or services and/or their components or ingredients -- including those used or sold by your Crafty Crab Restaurant -- through any method of distribution other than a Crafty Crab Restaurant situated within your Territory, including the internet/worldwide web; any other form of electronic commerce; "800" or similar toll-free telephone numbers; mail order; catalogs; telemarketing or other direct marketing sales; television sales (including "infomercials"); food trucks; take-away premises; online networks; other permanent, temporary or seasonal food service facilities; or, any other channel of distribution except for a Crafty Crab Restaurant. You will receive no compensation for our or our affiliates' sales through alternative distribution channels.

In addition, we and/or our affiliates have the right to sell (directly, or through other franchisees or licensees) Crafty Crab System products and services at nontraditional locations, including

nontraditional locations situated in your Territory, through the establishment of Crafty Crab Restaurants, kiosks, mobile units, concessions or “shop in shops”. “Nontraditional locations” include resorts; food retailers (including supermarkets, grocery stores and convenience stores); schools and universities; hospital and healthcare facilities; guest lodging facilities; day care facilities of any type; government facilities; condominium and cooperative complexes; the premises of any third party retailer (including shops, stores and department stores); military bases and installations; ; airlines, railroads and other modes of mass transportation; and, any other location or venue to which access to the general public is restricted. You will receive no compensation for our or our affiliates’ sales at nontraditional locations.

Both within and outside the Territory, only we and/or our affiliates have the right to sell Crafty Crab System products and services to national, regional and institutional accounts. “National, Regional and Institutional accounts” are organizational or institutional customers whose presence is not confined to your Territory, including (for example): business entities with offices or branches situated both inside and outside of your Territory; government agencies, branches or facilities; guest lodging networks; healthcare networks; the military; and, any other customer whose presence is not confined to your Territory. Only we will have the right to enter into contracts with national, regional and/or institutional accounts, which may include facilities within your Territory. If we receive orders for any Crafty Crab products or services calling for delivery or performance in your Territory as a result of our engaging in commerce with National, Regional and Institutional Accounts, then we will have the right, but not the obligation, either to require you to fulfill the orders at the price we agree on with the customer or to give you the opportunity to fulfill the orders at the price we agree on with the customer. If we give you the opportunity to fulfill an order and if, for any reason, you do not desire to or cannot serve the customer, or if the customer desires for any or no reason to deal exclusively with us, our affiliate or another franchisee and not with you, then we, our affiliate or any other Crafty Crab franchisee may serve the customer within your Territory, and you will not be entitled to any compensation. The procedures governing our National, Regional and Institutional Accounts program are set forth in our Brand Standards.

We may purchase, merge, acquire, be acquired by or affiliate with an existing competitive or non-competitive franchise or non-franchise network, chain or any other business regardless of the location of that other business’ facilities, and we may then operate, franchise or license those other businesses and/or facilities under any names or marks other than the Proprietary Marks regardless of the location of these businesses and/or facilities, which may be within the Territory or immediately near it. You will receive no compensation for these activities.

We and our affiliates have not established and do not currently intend to establish any other franchises, company-owned outlets or other distribution channels offering similar products or services under a different trademark anywhere in the United States, but we may do so in the future.

There is no minimum sales quota. During the term of your Franchise Agreement, there are no circumstances when we can alter your Territory. You have no options, rights of first refusal or similar rights to acquire additional franchises with the territory or contiguous territories.

### **Area Development Agreement**

If you and we sign an Area Development Agreement, we will grant you a “Development Territory” and you will promise to develop, own and operate franchised Crafty Crab Restaurant Businesses within the Development Territory. You will not receive an exclusive Development Territory. You may face competition from outlets that we own at nontraditional locations, from other channels of distribution or competitive brands that we control. Your Development Territory will be set forth on Exhibit A to your Area Development Agreement. The Development Territory includes the Protected Territories granted under the Franchise Agreement for each Crafty Crab Restaurant Business that you develop. Each “Territory” is restricted to a geographic area within which you agree to establish and operate a Crafty Crab Restaurant under a Franchise Agreement. Each Franchise Territory we grant you will be a radius around the Crafty Crab Restaurant in a particular city or municipality. For

each unit Franchise Agreement executed under your Area Development Agreement, we will approve or disapprove the sites you propose for your Restaurant Locations within your Development Territory in accordance with our then-current site criteria. Your right to operate a franchised Crafty Crab Restaurant Business developed under an Area Development Agreement will be limited to the Crafty Crab Restaurant Business' Restaurant Location situated in the respective Territory located in the Development Territory. See the description of the Franchise Agreements above in this Item 12.

For so long as the Area Development Agreement is in effect, neither we nor any of our affiliates (meaning any individual or entity we control, which controls us or which is under common control with us, together our "affiliates") will, within the Development Territory, operate or grant a franchise for a restaurant business operated under the Proprietary Marks of the type franchised to you, or a similar or competitive business, except for the rights we reserve that are described below. These restrictions will terminate immediately upon the expiration or termination of the Area Development Agreement for any reason.

Outside of the Development Territory, we and our affiliates reserve the right to operate any number of Crafty Crab Restaurant Businesses, and to authorize others to operate them, at any location we choose (including one or more locations that may be proximate to, but not within, the Development Territory).

We and/or our affiliates may engage in any business activity we choose in or outside the Development Territory except as we are restricted as described above, and the Area Development Agreement does not confer upon you any right to participate in or benefit from any other business activity (regardless of whether it is conducted under the Proprietary Marks or not). We thus may engage in, or authorize others to engage in, any form of business offering and selling any type of product or service except as restricted as described above. For example, we and/or our affiliates may own, operate or authorize others to own or operate any type of business at any location we choose, including within your Development Territory, so long as the other business does not sell under the Proprietary Marks the type of products or services which your franchised Crafty Crab Restaurant Businesses offer and sell (except as permitted below). Further, we and/or our affiliates may own, operate or authorize others to own or operate Crafty Crab Restaurant Businesses at any location outside of your Development Territory (including immediately proximate to it).

In addition, we and/or our affiliates alone have the right to offer and sell within and outside your Development Territory, and under the Proprietary Marks, any and all products or services and/or components or ingredients (including those used or sold by your franchised Crafty Crab Restaurant Businesses), and whether or not a part of the Crafty Crab Restaurant System, through any alternate channels of distribution, that is, any method of distribution other than an Crafty Crab Restaurant Business situated within your Development Territory, including, without limitation, the internet/worldwide web; any other form of electronic commerce; "800" or similar toll-free telephone numbers; supermarkets, grocery stores and convenience stores; mail order; catalogs; television sales (including "infomercials"); telemarketing or other direct marketing sales; or, any other channel of distribution except for an Crafty Crab Restaurant Business. You will not be entitled to any compensation in connection with these sales within your Development Territory. You (as area developer) do not have the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside your Development Territory.

We and/or our affiliates alone have the right to offer and sell Crafty Crab Restaurant System products and services at any and all nontraditional locations, including nontraditional locations situated in your Development Territory, through the establishment of Crafty Crab Restaurant Businesses, kiosks, mobile units, concessions or "shop in shops", and you may not engage in this activity. "Nontraditional Locations" includes sports arenas and venues; theaters; resorts; food retailers (including supermarkets, grocery stores and convenience stores); malls; schools and universities; hospital and healthcare facilities; airports; guest lodging facilities; day care facilities of any type; government facilities; condominium and cooperative complexes; the premises of any third party retailer which is not a Crafty Crab Restaurant Business (including shops, stores and department stores); military



bases and installations; airlines, railroads and other modes of mass transportation; and, any other location or venue to which access to the general public is restricted. You will receive no compensation for our or our affiliates' sales at Nontraditional Locations.

Both within and outside the Development Territory, we and/or our affiliates alone have the right to sell Crafty Crab Restaurant System products and services to national, regional and institutional accounts. "National, Regional and Institutional Accounts" are organizational or institutional customers whose presence is not confined to your Development Territory, including (by way of example only): business entities with offices or branches situated both inside and outside of your Development Territory; government agencies, branches or facilities; guest lodging networks; healthcare networks; the military; and, any other customer whose presence is not confined to your Development Territory. Only we will have the right to enter into contracts with National, Regional and/or Institutional Accounts (which may include facilities within your Development Territory). If we receive orders for any Crafty Crab Restaurant products or services calling for delivery or performance in your Development Territory as a result of our engaging in commerce with National, Regional and Institutional Accounts, and you have opened one or more Crafty Crab Restaurant Businesses in the customer's geographic area, then we will have the right, but not the obligation, to give you the opportunity to fulfill one or more orders at the price we agree on with the customer. If you have not opened any Crafty Crab Restaurant Businesses in the customer's geographic area, or if, for any reason, you do not desire to or cannot serve the customer, or if the customer desires for any or no reason to deal exclusively with us, our affiliate or another franchisee and not with you, then we, our affiliate or any other Crafty Crab Restaurant franchisee may serve the customer within your Development Territory, and you will not be entitled to any compensation. The procedures governing our National, Regional and Institutional Accounts program are stated in our Manuals.

The Area Development Agreement confers no marketing exclusivity in the Development Territory on you, and all Crafty Crab Restaurant Businesses (whether company-owned, company joint-ventured, franchised or otherwise) may solicit, service, advertise and offer their products and services to any individual or entity, regardless of your or its geographic location, including your Development Territory.

We may purchase, merge, acquire, be acquired by or affiliate with an existing competitive or non-competitive franchise or non-franchise network, chain or any other business regardless of the location of that other business' facilities, and following this activity we may operate, franchise or license those other businesses and/or facilities under any names or marks other than the Proprietary Marks (while the Area Development Agreement is in effect) regardless of the location of these businesses and/or facilities, which may be within the Development Territory or immediately proximate to it.

You will have the right and obligation to open and operate in your Development Territory the number of Crafty Crab Restaurant Businesses on the Development Schedule in Section 6.01 of your Area Development Agreement. You must comply with the timetable on the Development Schedule. Your Development Schedule may give you the right and obligation to open and operate three or more Crafty Crab Restaurant Businesses.

You may not open or operate more than the number of Restaurants set forth on the Development Schedule in Section 6.01 of the Area Development Agreement without first obtaining our written consent.

Except for causes beyond your control as described in Section 17.01 of the Area Development Agreement, if you fail to adhere to the Development Schedule in your Area Development Agreement by either: failing to execute the Franchise Agreement for each franchised Business on or before the date of execution specified on the Development Schedule, or failing to commence operations of each franchised Business on or before the applicable commencement of operations date specified on the Development Schedule, then we can terminate the Area Development Agreement. If we terminate the Area Development Agreement for this reason, this will not be a termination of any Franchise


Agreements you and we signed under which you have already begun operating the franchised Crafty Crab Restaurant Businesses covered by the Franchise Agreements if you have fully performed and been in compliance with all of your obligations under those Franchise Agreements but you will not be entitled to open any further Crafty Crab Restaurant Businesses in the Development Territory and you will not be entitled to the return of the Area Development Fees you paid for the undeveloped Crafty Crab Restaurant Businesses.

**ITEM 13 TRADEMARKS**

The principal commercial symbol which we will license to you appears on the cover of this disclosure document. “Proprietary Marks” means our symbols, trademarks, service marks, logotypes and trade names.

The following is a description of the principal Proprietary Marks which we will license to you:

**Principal Federal Registrations**

<b>Registration Number</b>	<b>Description Of Mark</b>	<b>Principal Or Supplemental Register</b>	<b>Registration Date</b>
5958647	CRAFTY CRAB (word mark)	Principal	January 14, 2020
6248454	 (design mark)	Principal	January 19, 2021

CC Seafood Group LLC has licensed us to use the Crafty Crab System, trademarks, service marks and other intellectual property and to sublicense them to our franchisees in a cross-license agreement dated as of July 19, 2023. The manner and extent of the limitation or grant in such cross-license agreement is the following: the license has an initial duration of 20 years and is automatically renewable for successive 20-year terms thereafter so long as we are not in breach; it covers the territory of the United States of America and its territories and possessions. The cross-license agreement may affect the franchisee in that, if the cross-license agreement is terminated, the franchisor may no longer be able to license the Crafty Crab System and other intellectual property to the franchisee. However, the cross-license agreement has no provision for termination. The circumstances when the agreement may be canceled or modified are only if the parties mutually agree in writing.

CC Seafood Group LLC has applied for registration of the following marks on the Principal Register of the United States Patent and Trademark Office:

**Principal Federal Applications**

<b>Serial Number</b>	<b>Description Of Mark</b>	<b>Application Date</b>
98055009		June 22, 2023
98055031		June 22, 2023

We do not have a federal registration for the marks (including our principal mark) set forth above under the heading "Principal Federal Applications" (the "Pending Marks"). Therefore, the Pending Marks (including our principal trademark) does not have many legal benefits and rights as a federally registered trademark. If our right to use a Pending Mark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

Except with respect to the Pending Marks, there are presently no effective determinations of the U.S. Patent and Trademark Office, any trademark trial and appeal board, any state trademark administrator or any court, any pending interference, opposition, or cancellation proceeding, or any pending material litigation involving any of the above-referenced Proprietary Marks which is relevant to your use. There are no agreements which significantly limit our rights to use or license the Proprietary Marks. There are no infringing uses or superior previous rights known to us that can materially affect your use of the Proprietary Marks in this state or any other state in which the franchised Business is to be located. There is no pending material federal or state court litigation regarding our use or ownership rights in any Trademark. No affidavits have been due yet for filing. No renewals have been due yet for filing.

We have the right to control any administrative proceedings or litigation involving a trademark licensed by us to you. If you learn of any claim against you for alleged infringement, unfair competition, or similar claims about the Proprietary Marks, you must promptly notify us. We will promptly take the action we consider necessary to defend you. We must indemnify you for any action against you by a third party based solely on alleged infringement, unfair competition, or similar claims about the Proprietary Marks. You may not settle or compromise any of these claims without our previous written consent. We will have the right to defend and settle any claim at our sole expense, using our own counsel. You must cooperate with us in the defense. Under the Franchise Agreement, you irrevocably grant us authority to defend or settle these claims. You may participate at your own expense, but our decisions with regard to the defense or settlement will be final. We will have no obligation to defend or indemnify you if the claim against you relates to your use of the Proprietary Marks in violation of the Franchise Agreement.

If you learn that any third party whom you believe is not authorized to use the Proprietary Marks is using the Marks or any variant of the Marks, you must promptly notify us. We will determine whether or not we wish to take any action against the third party. You will have no right to make any demand or to prosecute any claim against the alleged infringer for the infringement.

You must comply with any instruction by us to modify or discontinue use of any Proprietary Mark or to adopt or use additional or substituted Proprietary Marks. If this happens, we will reimburse you for your documented expenses of complying (such as changing signs, stationery, etc.). Except for reimbursing your documented expenses of complying, we will not be liable to you for any resulting expenses.

## **ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

### **Copyrights**

We hold no rights in, or licenses to, patents that are material to the franchise and have no pending patent applications that are material to the franchise.

We claim copyrights on certain software, forms, advertisements, promotional materials and other written materials. We also claim copyrights and other proprietary rights in the Crafty Crab Confidential Operating Brand Standards..

There are no agreements currently in effect which significantly limit your right to use any of our copyrights. Also, there are no currently effective determinations of the United States Patent and Trademark Office, Copyright Office (Library of Congress) or any court pertaining to or affecting any of our copyrights discussed above. Finally, as of the date of this disclosure document, we are unaware of any infringing uses of or superior previous rights to any of our copyrights which could

materially affect your use of them in this state or in the state in which the franchised Crafty Crab Business will be located.

Your and our obligations to protect your rights to use our copyrights are the same as the obligations for Proprietary Marks described in Item 13 of this disclosure document.

### **Confidential Information**

You may never – during the Initial Term, any Successor Term, or after the Franchise Agreement expires or is terminated – reveal any of our confidential information to another person or use it for any other person or business. You may not copy any of our confidential information or give it to a third party except as we authorize.

Under the Franchise Agreement, the following persons must sign our Confidentiality/Non-Competition Agreement (Exhibit E-1 to the Franchise Agreement):

- Before employment or any promotion, your Operating Manager and all other managerial personnel; and
- If you are a business entity, and as applicable, all of your owners, equity holders, control persons, shareholders, members, partners and general partner(s); all of your officers, directors and managers; and, all persons possessing equivalent positions in any business entity which directly or indirectly owns and/or controls you.

Under the Franchise Agreement, all of your non-managerial personnel must sign our Confidentiality Agreement (Exhibit F to the Franchise Agreement).

Our confidential information will include information, knowledge, trade secrets or know-how used or embraced by the Crafty Crab System, the Brand Standards, and many other matters specified in the Franchise Agreement.

You must irrevocably license to us all intellectual property, services, products, equipment, programs, sales, marketing, advertising and promotional programs, campaigns or materials, and sales methods you develop for the Business. We will not be liable to you in any way because of this license.

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

You must personally supervise the operation of the franchised Business, unless we permit in writing. You must devote the necessary time and your best efforts for the proper and effective operation of the Business. If we license you to operate more than one Crafty Crab Business, you must devote the time necessary for the proper and effective operation of all your Businesses.

You must designate a “Managing Owner” for your franchised Business. If you are an individual, then you must serve as Managing Owner and if you are an entity, you must designate an individual as Managing Owner who has at least a twenty percent (20%) an ownership interest in you. Your Managing Owner must have complete decision-making authority with regard to your franchised Business and must have authority to in all respects act on your behalf under the Franchise Agreement. Your Managing Owner will be responsible for overseeing and supervising the operation of your franchised Business and is the sole individual with whom we will be required to communicate when we seek to communicate with you.

If an individual, you must either serve as or designate an Operating Manager. If you are an individual, we recommend that you personally serve as your own Operating Manager. An entity franchisee must designate an Operating Manager. The Operating Manager, who will have day-to-day management responsibility for your Crafty Crab Business, will exercise on-premises supervision and personally participate in the direct operation of the Business. You must inform us in writing of your Operating Managers and any successors in advance. We must approve your Operating Managers before you appoint them. Your Operating Managers must complete the Initial Training Program to our satisfaction. After a Operating Manager's death, disability or termination of employment, you

must immediately notify us within five (5) days, and you must designate a successor or acting Operating Manager within ten (10) days.

If the franchisee is a business entity, the Operating Manager need not have any equity interest in the franchisee entity.

You must have at least one (1) Restaurant Manager on duty at the Restaurant during all hours of operation. That person may be your Operating Manager or maybe someone trained and supervised by your Business Manager.

Your Operating Manager and the other persons listed in Item 14 must sign our confidentiality/non-competition agreement (Exhibit E-1 to the Franchise Agreement) and keep our confidential or proprietary information confidential (see Item 14).

If you are a business entity, each owner of a 5% or greater interest in you must sign a personal guarantee in the form of Exhibit H to the Franchise Agreement.

### **Area Development Agreement**

If you operate under an Area Development Agreement, then you must designate in writing to us an Area Manager who will have the obligation to oversee operations of all of your Crafty Crab Restaurants. With our permission, the Area Manager may have District Managers work under him or her, if identified and approved by us in advance; provided however, that you and your Area Manager will remain fully responsible for any District Manager's performance. You must inform us in writing of your Area Manager (and if applicable, your District Manager(s)) and any replacement Area Manager or District Manager (if any). The Area Manager must be qualified to manage multi-unit operations and must have attended and successfully completed our Initial Training Program. Unless a District Manager is designated, your Area Manager must devote full time and best efforts to the supervision of the Restaurants operated by you and, if applicable, your affiliates, and, without our written consent, must not engage in any other business. If a District Manager is designated, then the District Manager must devote his or her full time and best efforts to the supervision and operation of the Crafty Crab Restaurants conducted by you and, if applicable, your affiliates.

You must immediately notify us within five (5) days upon the death, disability or termination of employment of your Area Manager (or any District Manager), for any cause or reason, or if your Area Manager (or any District Manager) no longer qualifies as such. You must designate a successor or acting Area Manager (or any District Manager) promptly and, in any event, no later than ten (10) days following the death, disability or termination of the predecessor Area Manager (or any District Manager).

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

You must at all times offer and sell all products, services and programs which we designate part of the Crafty Crab System unless you are prohibited by local law or regulation from selling a menu item, product, service or program or we have granted you our advance written approval to exclude a menu item, product, service or program.

If you would like to sell any product, service or program which is not a part of the Crafty Crab System, then you must seek and obtain our advance written permission. If we grant our advance written approval, then the product, service or program in question will become a part of the Crafty Crab System (though we will not be required to, but may, authorize it for sale at one or more other Crafty Crab Restaurants). We may subsequently revoke our approval. We will own all rights associated with the product, service or program. You will not be entitled to any compensation in connection with it.

We may add to, delete from or modify the services, products and programs which you can and must offer or we may modify the System. You must abide by any additions, deletions and modifications. There are no limits on our rights to make these changes. Such modifications may obligate you to invest additional capital or incur higher operating costs.

In addition to modifications of the Crafty Crab System, we may at times co-brand one or more restaurant concepts which we or our affiliates operate with Crafty Crab System Restaurants and/or offer for sale in Crafty Crab System Restaurants products sold in businesses operated by us and/or our affiliates (collectively, “Co-Branding”). This Co-Branding may involve changes to the Proprietary Marks, and may require you to modify the building and premises of your Crafty Crab System Restaurant and the furnishing, fixtures, equipment, signs and trade dress at your Crafty Crab System Restaurant. If you receive written notice of our institution of Co-Branding, you must implement the Co-Branding at your franchised Business. The Franchise Agreement does not place any limit on our rights to require you to make changes for Co-Branding.

You may only sell Crafty Crab System products and services at retail from your Crafty Crab Restaurant, and you may not engage in the wholesale sale and/or distribution of any Crafty Crab product, service, equipment or other component, or any related product or service. Your Business may (upon our prior written approval) offer delivery of System menu items or products as well as, use third-party online ordering and/or delivery aggregators in accordance with our System standards or as approved in writing by us.

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

**This table lists certain important provisions of the franchise and related agreements pertaining to successor terms, termination, transfer and dispute resolution. You should read these provisions in the agreements attached to this Disclosure Document.**

**THE FRANCHISE RELATIONSHIP**

**Franchise Agreement**

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 4.01	Term is 10 years from the date that Franchisor countersigns the Franchise Agreement.
b. Renewal or extension of the term	Section 4.02, 13.01	You can enter into 2 consecutive Successor Franchise Agreements for a term of 5 years each if you (a) notify us no more than nine months and no less than six months before expiration; (b) comply with the Franchise Agreement and Brand Standards and you did so and met your material obligations on time throughout the Initial Term; and, (c) satisfy all monetary obligations to us, our affiliates, landlord and suppliers.
c. Requirements for you to renew or extend	Section 13.01	<p>a. You must notify us in writing no more than nine (9) months and no less than six (6) months before the expiration of the Initial Term of the Franchise Agreement of your intent to enter into a Successor Franchise Agreement.</p> <p>b. Evidence that you can renew your lease on terms acceptable to you and us, or lease an acceptable new Crafty Crab Restaurant Location in your Territory without any interruption of business.</p> <p>c. Sign a General Release in the form of Exhibit J (but <u>not</u> releasing us from future claims under the Successor Franchise Agreement).</p> <p>d. You or your Operating Manager (as the case may be), and any other management and staff we designate must attend and successfully complete any training that we may reasonably require, at your expense.</p> <p>e. You must pay us a successor franchise fee equal to 50% of the our then-current Initial Franchise Fee for similar franchised territories, but the successor franchise fee for the first Successor Term will be no greater than the Initial Franchise Fee which you paid under the Franchise Agreement.</p> <p>You may be asked to sign a contract with materially different terms and conditions than your original contract, but there will be no initial franchise fee, the term of each Successor Franchise Agreement will be 5years, the limited successor franchise rights of the Franchise Agreement will be incorporated, the boundaries of the Territory will remain the same, and the Continuing Royalty on Successor Franchise Agreements will not be greater than the Continuing Royalty that we then impose on similarly-situated franchisees entering into a Successor Term.</p>

Provision	Section in Franchise Agreement	Summary
		<p>f. Before the commencement of the applicable Successor Term, you must, at your cost and expense, refurbish, redesign and/or remodel your franchised Restaurant as we reasonably require to meet our then current standards, requirements and specifications (including, without limitation, refurbishing, repairing or replacing all equipment, electronic cash register systems, Computer System, signs, interior and exterior décor items, fixtures, furnishings, supplies and other products and materials required for the operation of the Restaurant and otherwise upgrading the Restaurant as we reasonably require to reflect our then-current System standards and the image of the System.</p> <p>g. At the time of entering into a Successor Term, you (and your affiliates) must be current on the payment of all monetary obligations to us, our affiliates, the lessor or sublessor of your Restaurant and any material third party supplier of yours.</p>
d. Termination by you	Section 17.02, 17.05	<p>a. You may terminate the Franchise Agreement if you and we agree in writing. You may also terminate the Franchise Agreement under any grounds permitted by law.</p> <p>b. Your failure to pay any Continuing Royalties, System Advertising Fund Contributions or other money after you receive notice of the default granting an opportunity to cure, will mean that you are willfully and wrongful breaching the Franchise Agreement and that you have decided to reject and terminate the Franchise Agreement and all Agreements between you and us (or our affiliates) related to the Franchise Agreement.</p>
e. Termination by us without cause	None.	
f. Termination by us with cause	Article 17	We may terminate only if you default. The Franchise Agreement describes defaults throughout – please read it carefully.
g. "Cause" defined - defaults which can be cured	Section 17.03	<p>You have 30 days to cure the default if you do not comply with any lawful Franchise Agreement or Manual provision or requirement or otherwise fail to fulfill the terms of the Franchise Agreement in good faith, except for defaults described in h. below. Examples of curable defaults include:</p> <p>a. You do not pay promptly when due any money owed to us, our affiliates or any lender which has provided financing to your franchised Business under any arrangement with us. The cure period for this default will be 5 days after written notice of default. If you do not cure within the shortened cure period, the Franchise Agreement will terminate immediately upon expiration of the 5-day cure period, or any longer period required by applicable law.</p> <p>b. You do not submit required reports or make any false statement in connection with any reports or information you submit to us.</p> <p>c. You sell unauthorized services or products.</p> <p>d. You fail to maintain your trade accounts in a current status and/or fail to seek to promptly resolve any disputes with trade suppliers</p> <p>e. You engage in any business, or market any product or service, under a name or mark which, in our opinion, is confusingly similar to the Proprietary Marks.</p> <p>f. You do not pay any taxes on your Business when due.</p> <p>g. You do not use the Proprietary Marks and/or trade dress solely in the manner and for the purposes we direct.</p> <p>h. You violate the restrictions relating to advertising or do not participate in the programs related to advertising and sales promotion.</p> <p>i. You do not indemnify us.</p> <p>j. You permit a continued violation in connection with the operation of the franchised Business of any law, ordinance, rule or regulation, in the absence of a good faith dispute.</p> <p>k. You fail to obtain or maintain a required, permit, certificate or other governmental approval.</p> <p>l. You employ an individual who is not legally eligible for employment in the United States.</p> <p>m. You fail to operate your Crafty Crab Restaurant during the days and hours specified in our Brand Standards without our advance written approval.</p> <p>n. You default under any agreement between you and the landlord of your Restaurant Location and do not cure within the time provided in the lease.</p>

Provision	Section in Franchise Agreement	Summary
		<p>o. You fail to maintain and operate your Restaurant and any delivery vehicles in a good, clean and sound manner, in strict compliance with our standards.</p> <p>p. You do not engage and have us train a successor or replacement Operating Manager.</p> <p>q. You fail to implement (and, at your expense, take all steps necessary to implement and thereafter adhere to any new or changed System requirements.</p> <p>r. A final judgment not subject to appeal is entered against you or any Guarantor and remains unsatisfied for more than thirty (30) days or, if any such judgment is subject to appeal.</p> <p>s. You do not comply with any other lawful provision or requirement of the Franchise Agreement or any specification, standard or operating procedure we prescribe.</p>
h. "Cause" defined - non-curable defaults	Sections 17.01 and 17.02	<p>Automatic, without notice: bankruptcy, insolvency, receivership, dissolution or levy. On notice to you:</p> <p>a. You fail to open the franchised Restaurant within twelve (12) months following our signing of the Franchise Agreement or cease to operate the Restaurant, abandon the franchise, or, fail to operate your Restaurant for three consecutive days during which you are required to operate, unless due to causes beyond your control.</p> <p>b. You omitted or misrepresented a material fact in information you furnished us in connection with our decision to sign the Franchise Agreement.</p> <p>c. You and we agree in writing to terminate.</p> <p>d. You do not secure a Restaurant Location within the required time limits and procedures.</p> <p>e. You lose the right to possess the Restaurant Location, but if the loss is due to no fault of yours, you may apply for approval to relocate and reconstruct.</p> <p>f. You, your your Operating Manager and/or if you are a business entity, any owner, member, shareholder, director or manager of yours is convicted of a felony, etc.</p> <p>g. You make an unauthorized transfer.</p> <p>h. You do not comply with the in-term covenant not to compete, or obtain the required additional covenants, or you violate the restrictions pertaining to the use of Confidential Information.</p> <p>i. Before you open, we determine that you or your your Operating Manager failed to attend or successfully complete the Initial Training Program (after being afforded the opportunity to obtain remedial training).</p> <p>j. You knowingly conceal revenues, knowingly maintain false books or records, or submit any substantially false report to us.</p> <p>k. You do not maintain the required financial records.</p> <p>l. An audit shows that you understated your Gross Revenues by 8% or more for any month or for the entire period of examination.</p> <p>m. You refuse us permission to inspect or audit.</p> <p>n. You take any funds withheld from your employees' wages which should have been set aside for the franchised Business' employee taxes, FICA, insurance or benefits; wrongfully take our property; systemically fail to deal fairly with your employees, customers or suppliers; or knowingly permit or, having discovered the facts, fail to take any action against or to discharge any agent, servant or employee who has embezzled.</p> <p>o. After curing a default which is subject to cure, you commit the same act of default again within 36 months.</p> <p>p. You make a willful misrepresentation or do not make a material disclosure required by any governmental authority regarding any matter involving your franchised Business and Restaurant.</p> <p>q. You interfere or attempt to interfere with our contractual relations with others.</p> <p>r. You do not cure a default which materially impairs the goodwill associated with our Proprietary Marks after at least 72 hours' written notice to cure.</p> <p>s. You fail for 15 days after notice to comply with any law or regulation applicable to the Business.</p> <p>t. You repeatedly fail to comply with one or more requirements of this Franchise Agreement, whether or not corrected after notice.</p>



Provision	Section in Franchise Agreement	Summary
		<p>u. You do not devote the amount of your time and attention and/or your best efforts to the performance of your duties necessary for the proper and effective operation of your franchised Business.</p> <p>v. You do not immediately repay us or our affiliates for any amounts we advance on your behalf.</p> <p>w. You do not purchase or maintain required insurance.</p> <p>x. You, your franchised Business and/or your franchised Restaurant commit any violation of law, rule or regulation and/or engage in any act or practice which subjects you and/or us to widespread publicity or ridicule.</p> <p>y. You breach advertising standards and fail to cure within 3 days following written notice.</p> <p>z. You purchase any proprietary products or services or purchase any non-proprietary goods or services under a systemwide supply contract we negotiate, and you use, sell or otherwise exploit them for the benefit of any other individual, entity or business.</p> <p>aa. You operate your franchised Business and/or your Crafty Crab Restaurant in a fashion that, in our sole judgment, in any way jeopardizes the life, health or safety of the general public, your customers and/or your employees. If you do so, then not only may we terminate the Franchise Agreement upon notice, but we may direct you to immediately close your Crafty Crab Restaurant (s); you must immediately comply with our direction; and, you must hold us harmless from and against any claims relating to our direction to close your Restaurant(s).</p> <p>bb. You fail to immediately endorse and tender to us any payment which is due us or our affiliates but is made to your order.</p> <p>cc. You use our Confidential Information and/or Proprietary Marks in a way not specifically authorized, or for the benefit of any individual or entity other than your franchised Business.</p> <p>dd. You interfere or attempt to interfere with our ability or right to franchise or license others to use the System and/or Proprietary Marks</p> <p>ee. You interfere or attempt to interfere with our relationships with any other franchisee, supplier, government authority, or other third party.</p> <p>ff. You or any of your owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of your owners otherwise violate any such law, ordinance, or regulation.</p> <p>gg. You (or any of your owners) fail to cure within the applicable time period any breaches under the Franchise Agreement, or any other agreement between you (or any of your affiliates) and us (or any of our affiliates) including, but not limited to, any other franchise agreement, area development agreement, lease or promissory note.</p> <p>hh. You engage in any act or conduct, or fail to engage in any act or conduct, which under the Franchise Agreement specifically authorizes us to terminate the Franchise Agreement immediately upon notice to you.</p>
i. Your obligations on termination / nonrenewal	Article 18	<p>a. Pay all money owing to us or our affiliates, and third parties.</p> <p>b. Stop using our Proprietary Marks, Confidential Information, trade secrets and Brand Standards.</p> <p>c. Cancel assumed name or equivalent registration which contains "Crafty Crab", or any other Proprietary Marks of ours, or any variant, within 15 days.</p> <p>d. If we terminate the Franchise Agreement for your default or you terminate through failure to make payment following notice to cure (see section d. above), pay us all expenses and damages incurred as a result of your default or termination. Damages may include, for example, lost profits, lost opportunities, damage to our Proprietary Marks and reputation, travel and personnel costs and the cost of securing a new Business for the Territory.</p> <p>e. If we request, assign us your interest in the Restaurant Location lease and vacate promptly.</p> <p>f. Immediately deliver to us all confidential information, Brand Standards, manuals, computer software and database material, customer lists, records and files, forms, advertising and promotional material, signs and related items which bear our Proprietary Marks.</p> <p>g. Immediately sign agreements necessary for termination.</p>

Provision	Section in Franchise Agreement	Summary
j. Assignment of contract by us	Section 14.01	<p>h. Stop using the telephone numbers listed in directories under the name "Crafty Crab" or any confusingly similar name.</p> <p>i. Strictly comply with the post-termination/post-expiration covenants not to compete.</p> <p>j. Continue to abide by restrictions on the use of our Confidential Information, trade secrets and know-how.</p> <p>k. Immediately refrain from engaging in any contacts with customers, suppliers, employees and all vendors of the Crafty Crab Restaurant.</p> <p>l. Immediately surrender to us all computer software, data storage disks or tapes and other electronic media used in the operation of the franchised Business, printouts, and other information pertaining to computer operations, codes, procedures and programming.</p> <p>m. In 15 days, arrange with us for an inventory of personal property, fixtures, equipment, inventory and supplies. We have option for 30 days to buy these at fair market value.</p> <p>n. If we choose not to take over the Restaurant, redecorate and remodel it to deidentify it.</p> <p>If we terminate for cause, we can take possession of the Business. If you dispute the termination, then we can operate the Business until the final court determination. If the court decides the termination was not valid, we must make a complete accounting for the period when we operated the Business</p>
k. "Transfer" by you – definition	Section 14.02	<p>We will have the right to assign if the assignee is financially responsible and economically capable of performing our obligations under the Franchise Agreement, and agrees to perform these obligations. We may sell our assets, Proprietary Marks, or System; go public, etc. (see Franchise Agreement)</p> <p>We have the right to delegate the performance of any portion or all of our obligations under the Franchise Agreement to third party designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations.</p>
l. Our approval of transfer by you	Section 14.02, 14.03	<p>Any assignment, transfer, subfranchising, sublicensing, sale, redemption or division of Agreement, franchised Business, Restaurant, any interest in them or a business entity franchisee.</p> <p>No transfer without our consent except as provided in Franchise Agreement (for example, transfer to a business entity you form for convenience, if you first obtain our prior written consent, which we will not unreasonably withhold in such an instance if the conditions stated in the Franchise Agreement are met).</p>
m. Conditions for our approval of transfer	Section 14.04	<p>a. The person to whom you propose to transfer (the "transferee") must apply to us for acceptance.</p> <p>b. Transferee must come to personal interview, or we may meet with transferee at his, her or its business or residence, and if we do you must reimburse us for our travel, lodging, meal and personal expenses.</p> <p>c. Transferee (or, if a business entity, the principals of the proposed transferee) must demonstrate the skills, qualifications, ethics, moral values and economic resources necessary, in our reasonable judgment, to conduct the Business and to fulfill obligations to you.</p> <p>d. Transferee and his/her/its proposed Operating Manager must attend and successfully complete Initial Training Program before assignment (and other training if we wish), at transferee's expense.</p> <p>e. The landlord of the Restaurant Location must consent in writing to the assignment of lease.</p> <p>f. You must have cured any existing defaults, fully comply with all obligations to us and satisfy your outstanding monetary obligations to third parties.</p> <p>g. Transferee must sign new Franchise Agreement (but need not pay another Initial Franchise Fee). The term of the new Franchise Agreement will be the balance of your Franchise Agreement.</p> <p>h. Transferee must have acquired, or will be able to immediately acquire following the signing of the new Franchise Agreement, all permits, licenses and other authorizations legally necessary to operate Business.</p>

Provision	Section in Franchise Agreement	Summary
		<p>i. The Total Sales Price may not be so excessive, in our determination, that it jeopardizes the continued economic viability and future operations of the franchised Business and/or the transferee. See Franchise Agreement for definition of "Total Sales Price."</p> <p>j. If transferee is a business entity, owners must sign guarantees and confidentiality/non-competition agreements.</p> <p>k. You and your owners must sign a general release (subject to state law).</p> <p>l. If the transferee is a business entity, all of the requirements of its new Franchise Agreement concerning business entities must be complied with before we sign the new Franchise Agreement and must continue to be complied with.</p> <p>m. You must give us copies of the proposed assignment contract and signed assignment contract.</p> <p>n. The transferee, at its expense, must upgrade the Restaurant to conform with then-current standards and specifications within the time we reasonably specify.</p> <p>o. You must correct any existing deficiencies of the Restaurant of which we have notified you.</p> <p>p. You must pay us a transfer fee of \$15,000.</p>
n. Our right of first refusal to purchase your business	Section 14.06	We can match any offer for your Business. If we exercise our right of first refusal, you and your selling owner(s) agree that, for two (2) years beginning on the closing date, you and they will be bound by the non-competition covenant contained in Section 13.02 of the Franchise Agreement. We have the unrestricted right to assign this right of first refusal to a third party, who then will have the same rights described here.
o. Our option to purchase your business	Section 19.01	We have the option to buy your franchised Business's assets upon termination or expiration.
p. Your death or disability	Section 14.05	On your death or disability your rights pass to your "Estate". Your Estate may continue operating the Business if it provides an acceptable Operating Principal. The Estate shall have a reasonable period of time (not to exceed six (6) months following the death or disability to sell (as applicable) Franchisee or the franchised Business in accordance with the provisions of Section 15.04 (conditions for our approval of transfer) of the Franchise Agreement, and subject to our right of first refusal to purchase the business under Section 15.06 of the Franchise Agreement. This Operating Principal must successfully complete our next Initial Training Program and assume full-time operation of the franchise within 1 month of your death or disability. The Estate must pay us a \$1,000 administrative fee. From the date of your death or disability until an Operating Principal assumes full time control, we can operate your Business, but need not do so. See Item 6. Or, the Estate may sell the franchise in accordance with the requirements described in m. above. This provision is subject to state law.
q. Non-competition covenants during the term of the franchise	Section 12.02	No involvement in competing business anywhere in U.S.
r. Non-competition covenants after the franchise is terminated or expires	Section 12.02	No competing business for two (2) years within your Territory, within 10 miles of the perimeter of your Territory, or within ten (10) miles of the perimeter of (or within) any Crafty Crab Business Territory.
s. Modification of the agreement	Sections 7.01, 25.01	No oral modifications generally, but we may change the Brand Standards. Any Brand Standards change will not conflict with or materially alter your rights and obligations under the Franchise Agreement.
t. Integration/merger clause	Section 24.01	Only the terms of the Franchise Agreement, the Exhibits to the Franchise Agreement and all agreements signed with it are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. Notwithstanding the foregoing, nothing in the Franchise Agreement or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
u. Dispute resolution by arbitration or mediation	N/A	No provision for arbitration or mediation.
v. Choice of forum	Section 30.04	Litigation must be at a state or federal district court of competent jurisdiction in situated in the state, county and judicial district in which our principal place of business is then located (currently Green Cove Springs, in Clay County, Florida), subject to state law.
w. Choice of law	Section 30.03	New York law applies, subject to state law.

### **Area Development Agreement**

<b>Provision</b>	<b>Section in Area Development Agreement</b>	<b>Summary</b>
a. Length of the development term	Section 4.01	Term is from date we sign agreement until the earlier of either the actual or scheduled date of execution of the last Franchise Agreement scheduled to be signed under the Area Development Agreement.
b. Renewal or extension of the term	Not applicable.	The Area Development Agreement is not renewable.
c. Requirements for developer to renew or extend	Not applicable.	Not Applicable.
d. Termination by developer	Section 15.02	a. You may terminate the Area Development Agreement if you and we agree in writing. b. You may terminate the Area Development Agreement on any grounds provided by applicable law.
e. Termination by franchisor without cause	Not applicable.	Not Applicable.
f. Termination by franchisor with cause	Article 15	The Area Development Agreement describes defaults throughout – please read it carefully. The termination of your Area Development Agreement will give us the right to terminate your Franchise Agreement(s); except that your failure to satisfy the Development Schedule will not terminate any of the Franchise Agreements you already signed with us, so long as you have opened the Businesses covered by the signed Franchise Agreements and you are not in default of the Franchise Agreements. In addition, the termination of your Franchise Agreement(s) will give us the right to terminate your Area Development Agreement.
g. “Cause” defined - curable defaults	Section 15.03	Except for defaults described in h. below, you have 15 days to cure any default under the Area Development Agreement.
h. “Cause” defined - non-curable defaults	Section 15.01 and 15.02	Automatic, without notice: insolvency, bankruptcy, creditor judgment on assets or dissolution.  On notice to you: a. You omitted or misrepresented a material fact in information you furnished us in connection with our decision to sign the Area Development Agreement. b. We and you agree in writing to terminate the Area Development Agreement. c. You, your Area Manager, any of your District Managers, and/or, if you are a business entity, any owner, member, shareholder, director or manager (as applicable) of such entity is convicted of a felony, etc. d. You purport or, if you are a business entity, any owner or principal of you purports to make an unauthorized transfer. e. You do not comply with the covenant not to compete during the term of the Area Development Agreement; violate restrictions pertaining to the use of Confidential Information contained in the Area Development Agreement; or, do

Provision	Section in Area Development Agreement	Summary
		<p>not obtain the signing of the additional covenants required by the Area Development Agreement.</p> <p>f. You, your Area Manager and all others required to do so fail to attend or successfully complete our Initial Training Program</p> <p>You knowingly or through gross negligence: conceal revenues; maintain false books or records; falsify information or otherwise defraud or make false representations to us; or, submit any false report to us.</p> <p>g. After curing a curable default, you commit the same default within 6 months.</p> <p>h. You make a willful misrepresentation or do not make a material disclosure required by any governmental authority.</p> <p>i. You interfere or attempt to interfere in any manner with our or our affiliates' contractual relations and/or our relationships with other franchisees; any supplier of you, us or other franchisees; any governmental or quasi-governmental authority; our employees or advertising agencies; or, any third parties.</p> <p>j. You commit any act or default which materially impairs the goodwill associated with our Proprietary Marks and which, by its nature, is incurable; or, if the default is curable, you fail to cure the default following delivery of written notice to cure at least seventy-two hours in advance.</p> <p>k. You do not comply, for a period of fifteen (15) days after notification of non-compliance by us or any governmental or quasi-governmental authority, with any federal, state or local law or regulation applicable to the operation of the franchised Business.</p> <p>l. You repeatedly fail to comply with one or more requirements of the Area Development Agreement, whether or not corrected after notice.</p> <p>m. You, your Area Manager, or any of your District Managers violate any law, rule or regulation, and/or engages in any act or practice, which subjects you and/or us to widespread publicity, ridicule or derision.</p> <p>n. You use or duplicate any aspect of our System, services, programs or products in an unauthorized fashion.</p> <p>o. You engage in any business or market any service or product under a name or mark which, in our opinion, is confusingly similar to our Proprietary Marks.</p> <p>p. You engage in conduct which reflects materially and unfavorably upon the operation and reputation of the Businesses, us or the Crafty Crab System.</p> <p>q. You or any of your owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of your owners otherwise violate any such law, ordinance, or regulation.</p> <p>r. You (or any of your owners) fail to cure within the applicable time period any breaches under this Agreement, or any other agreement between you (or any of your affiliates) and us (or any of our affiliates) including, but not limited to, any other area development agreement, franchise agreement, lease or promissory note.</p> <p>The termination of your Area Development Agreement will give us the right to terminate your Franchise Agreement(s); except that your failure to satisfy the Development Schedule will not terminate any of the Franchise Agreements you already signed with us, so long as you have opened the Businesses covered by the signed Franchise Agreements and you are not in default of the Franchise Agreements. In addition, the termination of your Franchise Agreement(s).</p>
i. Developers' obligations on termination/non-renewal	Section 16.01	<p>Upon the expiration or termination of the Area Development Agreement, you must:</p> <p>a. Pay all money owing to us or our affiliates, and third parties.</p> <p>b. If we terminate the Agreement for your default, pay us all expenses, including attorney's and expert's fees.</p> <p>c. Immediately sign all agreements necessary for termination.</p> <p>d. Strictly comply with the post-termination/post-expiration covenants not to compete.</p> <p>e. Continue to abide by restrictions on the use of our Confidential Information.</p> <p>Termination of the Area Development Agreement for your failure to comply with the Development Schedule will not terminate any of the Franchise Agreements you already signed with us, so long as you have opened the Businesses</p>

Provision	Section in Area Development Agreement	Summary
		covered by the signed Franchise Agreements and you are not in default of the Franchise Agreements.
j. Assignment of contract by franchisor	Section 12.01	We may transfer our rights without restriction.
k. "Transfer" by developer – definition	Section 12.02	Any assignment, sale, transfer, shared, reconsidering, subfranchising or dividing, voluntarily or involuntarily, of the Area Development Agreement, the franchised Business, the Restaurant, or any interest in the franchised Business, the Restaurant or a Business Entity Franchisee (including any capital stock, membership, partnership or proprietary interest of you or anyone who controls you).
l. Franchisor approval of Transfer by developer	Section 12.02, 12.03 and 12.04	No transfer without our consent except as provided in Area Development Agreement (for example, transfer to a business entity you form for convenience.).
m. Conditions for franchisor approval of transfer	Section 12.03 and 12.04	See l., above.
n. Franchisor's right of first refusal to acquire developer's business	Not Applicable.	Not Applicable.
o. Franchisor's option to purchase developer's business	Not Applicable.	Not Applicable.
p. Death or disability of developer	Section 12.04	On your death or permanent disability (if you are an individual), or the death or permanent disability of your last surviving Principal (if you are a business entity) that person's rights pass to his or her "Estate". The Estate may continue operating your area development business if it provides an acceptable Area Manager. This Area Manager must assume full time operation of the area development business within one (1) month of death or permanent disability.
q. Non-competition covenants during the term of the franchise	Section 11.01	No involvement in competing business anywhere in U.S.
r. Non-competition covenants after the franchise is terminated or expires	Section 11.01	No competing business for two (2) years within your Territory, within 10 miles of the perimeter of your Territory, or within ten (10) miles of the perimeter of (or within) any Crafty Crab Business Territory.
s. Modification of the agreement	Section 18.05	You must comply with the Brand Standards as periodically amended. The Area Development Agreement may only be modified or amended in writing signed by all parties.
t. Integration/merger clause	Section 18.05	Only the terms of the Franchise Agreement, the Exhibits to the Franchise Agreement and all agreements signed with it are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. Notwithstanding the foregoing, nothing in the Area Development Agreement or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u. Dispute resolution by arbitration or mediation	None	No provision for arbitration or mediation.
v. Choice of forum	Section 13.02 and 18.13	Litigation must be at a state or federal district court of competent jurisdiction in situated in the state, county and judicial district in which our principal place of business is then located (currently Green Cove Springs, in Clay County, Florida), subject to state law.
w. Choice of law	Section 18.12	New York law applies, subject to state law.

See the state addenda to the Franchise Agreement, Area Development Agreement and disclosure document for special state disclosures.

## ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote our franchises.

## ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location 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 Ming Lin Zhang at 3525 Enterprise Way, Green Cove Springs, Florida 32043 and (888) 454-1576, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

### Systemwide Outlet Summary For Years 2020 to 2022

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Company-Owned	2020	13	39	26
	2021	39	59	20
	2022	59	65	6
Total Outlets	2020	13	39	26
	2021	39	59	20
	2022	59	65	6

**Table No. 2**  
**Transfers of Franchised Outlets from Franchisees**  
**to New Owners (other than the Franchisor)**  
**For Years 2020 to 2022**

Column 1 State	Column 2 Year	Column 3 Number of Transfers
All States	2020	0
	2021	0
	2022	0
Total	2020	0
	2021	0
	2022	0

**Table No. 3**  
**Status of Franchised Outlets**  
**For Years 2020 to 2022\***

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminatio ns	Column 6 Non- Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Opera- tions - Other Reasons	Column 9 Outlets at End of the Year
All States	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Total	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0

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\* If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.



**Table No. 4**  
**Status of Company-Owned Outlets**  
**For Years 2020 to 2022\***

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisee	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisee	Column 8 Outlets at End of the Year
Alabama	2020	0	0	0	0	0	0
	2021	0	1	0	0	0	1
	2022	1	0	0	0	0	1
Alaska	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Arizona	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Arkansas	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
California	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Colorado	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Connecticut	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Delaware	2020	0	0	0	0	0	0
	2021	0	1	0	0	0	1
	2022	1	0	0	0	0	1
Florida	2020	9	9	0	0	0	18
	2021	18	5	0	0	0	23
	2022	23	2	0	0	0	25
Georgia	2020	0	1	0	0	0	1
	2021	1	0	0	0	0	1

\* If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisee	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisee	Column 8 Outlets at End of the Year
	2022	1	0	0	0	0	1
Hawaii	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Idaho	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Illinois	2020	0	0	0	0	0	0
	2021	0	1	0	0	0	1
	2022	1	0	0	0	0	1
Indiana	2020	0	1	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Iowa	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Kansas	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Kentucky	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Louisiana	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Maine	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Maryland	2020	1	5	0	0	0	6
	2021	6	3	0	0	0	9
	2022	9	1	0	1	0	9
Massachusetts	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisee	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisee	Column 8 Outlets at End of the Year
Michigan	2020	0	0	0	0	0	0
	2021	0	2	0	0	0	2
	2022	2	1	0	0	0	3
Minnesota	2020	0	1	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Mississippi	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Missouri	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Montana	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Nebraska	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Nevada	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
New Hampshire	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
New Jersey	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
New Mexico	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
New York	2020	0	1	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	1	0	0
North Carolina	2020	1	3	0	0	0	4

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisee	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisee	Column 8 Outlets at End of the Year
	2021	4	0	0	0	0	4
	2022	4	0	0	0	0	4
North Dakota	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Ohio	2020	0	1	0	0	0	1
	2021	1	2	0	0	0	3
	2022	3	0	0	0	0	3
Oklahoma	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Oregon	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Pennsylvania	2020	0	1	0	0	0	1
	2021	1	1	0	0	0	2
	2022	2	0	0	0	0	2
Rhode Island	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
South Carolina	2020	1	0	0	0	0	1
	2021	1	1	0	0	0	2
	2022	2	0	0	0	0	2
South Dakota	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Tennessee	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Texas	2020	0	3	0	0	0	3
	2021	3	1	0	0	0	4
	2022	4	2	0	0	0	6
Utah	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisee	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisee	Column 8 Outlets at End of the Year
	2022	0	0	0	0	0	0
Vermont	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Virginia	2020	1	0	0	0	0	1
	2021	1	1	0	0	0	2
	2022	2	2	0	0	0	4
Washington	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
West Virginia	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Wisconsin	2020	0	0	0	0	0	0
	2021	0	1	0	0	0	1
	2022	1	0	0	0	0	1
Wyoming	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
District of Columbia	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Total	2020	13	26	0	0	0	39
	2021	39	20	0	0	0	59
	2022	59	8	0	2	0	65

**Table No. 5**  
**Projected Openings as of December 31, 2022**

<b>Column 1 State</b>	<b>Column 2 Franchise Agreements Signed But Outlet Not Opened</b>	<b>Column 3 Projected New Franchised Outlet in the Next Fiscal Year</b>	<b>Column 4 Projected New Company-Owned Outlet in the Next Fiscal Year</b>
Maryland	0	0	2
North Carolina	0	0	2
Texas	0	0	1
<b>Total</b>	0	0	5

As of the date of this disclosure document, we have not yet sold any franchises in the United States, its territories or possessions, and therefore we can list no current franchisees as of the end of our last fiscal year. Similarly, there are no franchisees who signed a Franchise Agreement but who had not yet opened their Restaurants as of the close of our last fiscal year end, and there is no franchisee who had an outlet terminated, canceled or not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our most recently completed fiscal year or 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.

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

There are no trademark-specific franchisee organizations associated with the franchise system.

### **ITEM 21 FINANCIAL STATEMENTS**

We were formed in April 2023. Our audited balance sheet as of May 31, 2023 is in Exhibit C. We (the franchisor) have not been in business for three years or more and cannot include all the financial statements required by the Federal Trade Commission’s Franchise Rule for our last three fiscal years.

### **ITEM 22 CONTRACTS**

Copies of all proposed agreements regarding the unit franchise offering are included in Exhibit A. These include our Franchise Agreement and all exhibits to it, including the following agreements: Required Provisions for Lease Rider; Option Agreement; Software License Agreement; Confidentiality/Non-Competition Agreement; Confidentiality Agreement (Non-Managerial Personnel); Sample By-Laws of Regional Advertising Cooperative; Releases; and, Guarantee.

Copies of all proposed agreements regarding the area development franchise offering are included in Exhibit B. These include our Area Development Agreement and all exhibits to it, including the following agreements: First Unit Franchise Agreement You and We Will Sign; Confidentiality/Non-Competition Agreement; Confidentiality Agreement (Non-Managerial Personnel); and, Guarantee.

### **ITEM 23 RECEIPTS**

You will find copies of a detachable receipt in Exhibit H at the very end of this disclosure document.

**EXHIBIT A TO DISCLOSURE DOCUMENT**  
**CRAFTY CRAB FRANCHISING LLC FRANCHISE AGREEMENT**

**CRAFTY CRAB FRANCHISING LLC**  
**FRANCHISE AGREEMENT**

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EXHIBITS

- A FRANCHISED TERRITORY; RESTAURANT LOCATION
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- H GUARANTEE
- I GENERAL RELEASE - TERMINATION
- J GENERAL RELEASE – SUCCESSOR FRANCHISE
- K GENERAL RELEASE – ASSIGNMENT
- L LIST OF FRANCHISEE’S OWNERS

**CRAFTY CRAB FRANCHISING LLC**  
**FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (this "Agreement") is entered into between CRAFTY CRAB FRANCHISING LLC, a Florida limited liability company with its principal office at 3525 Enterprise Way, Green Cove Springs, Florida 32043 ("we," "us," "our" or "Franchisor") and \_\_\_\_\_ whose principal address is \_\_\_\_\_ ("you," "your" or "Franchisee"), as of the date signed by us and set forth opposite our signature on this Agreement (the "Effective Date").

**1. PURPOSE AND SCOPE OF THIS AGREEMENT**

**1.01 The Crafty Crab Businesses, System and Proprietary Marks**

We and/or our affiliates have, over a considerable time period and with considerable effort, developed a proprietary system which we may improve, further develop, or otherwise modify from time to time (the "System") for opening and operating businesses (each a "Business") that operate fast casual restaurants (each, a "Restaurant") specializing in the sale of Cajun style seafood and related programs, products and services. The System makes use of the trademark, service mark and fictitious business name "Crafty Crab" and certain other trademarks, service marks, trade names, related emblems, designs, labels, trade dress, signs and symbols, copyrighted materials and other intellectual property (collectively, the "Proprietary Marks"), which we will designate as licensed to you in this Agreement, Exhibit "B" hereto, our Brand Standards (as described below) and/or otherwise.

From time to time and in our sole discretion, we may grant to persons who meet our qualifications, and are willing to undertake the investment and effort, a franchise to own and operate a Restaurant offering the products, services and programs we authorize and using our System. We may improve, further develop or otherwise modify our System from time to time.

As a franchise owner of a Restaurant, you will comply with this Agreement and all of our then-current standards, specifications and requirements in order to maintain the high and consistent quality that is critical to attracting and keeping customers for Restaurants.

You have applied for a franchise to own and operate a Restaurant.

**2. GRANT OF FRANCHISE AND LICENSE**

**2.01 Grant of Franchise and Licenses**

We grant you, and you accept, the right to use the Proprietary Marks and the System, during the Initial Term, in connection with establishing and operating a Business and Restaurant at the Restaurant Location (as defined in Section 6.01) identified on Exhibit A within the Territory specified in Section 3.01 below. You agree to use the Proprietary Marks and System as we may change, improve, modify or further develop them from time to time as provided in this Agreement, and to operate your Business and its Restaurants only in accordance with the terms and conditions of this Agreement, any related agreements and the Brand Standards. You further agree to honestly and diligently perform your obligations under this Agreement and to use your best efforts to promote the Restaurant. You may not sub-franchise or otherwise grant to any other "Person" (meaning both natural persons and legal entities, including corporations, partnerships, limited liability companies and trusts) any interest in this Agreement or the franchise granted hereby, except as otherwise provided in this Agreement.

### 3. TERRITORY

#### 3.01 Territory

Your right to operate a Business is restricted to the geographic area described in Exhibit A (the "Territory"). Your Business may establish only one Restaurant within the Territory under this Agreement.

#### 3.02 Our Restrictions

Within the Territory, neither we nor any affiliate (meaning any individual or entity we control, which controls us, or which is under common control with us, together our "affiliates") will operate or grant a franchise for a restaurant business operated under the Proprietary Marks of the type franchised to you hereunder, or a similar or competitive business, except as provided in Section 3.04 ("Rights We Reserve"). These restrictions will terminate immediately upon the expiration or termination of this Agreement for any reason.

Outside of the Territory, we and/or our affiliates reserve the right to operate any number of Businesses, and/or authorize others to operate same, at any location whatsoever, including one or more locations that may be proximate to, but not within, the Territory.

#### 3.03 Your Restrictions

Your Business may only offer and sell its programs, products and services in, at and from your Restaurant. Under no circumstance may your Business establish any physical presence outside of your Territory at or from which your programs, products or services are sold or furnished. Nor may your business offer or sell its programs, products or services anywhere, through any means or manner other than your Restaurant, including alternative channels of distribution, such as the internet/worldwide web and other forms of electronic commerce; "800" or similar toll-free telephone numbers (other than those we establish and make available to you for your customers to place orders with your franchised Restaurant); supermarkets, grocery stores or convenience stores; mail order; catalogs; or, any other distribution channel whatsoever except from your franchised Restaurant. Your Business may (upon your receipt of our prior written consent) offer delivery of System menu items or products. You may also use third-party online ordering and/or delivery aggregators approved in writing by us.

You may only engage in the retail sale of System programs, products and services. You are prohibited from engaging in the wholesale sale or distribution of any System programs, products or services, or the programs, products, equipment, and services which your Business is required or permitted to use or sell under this Agreement, or any component or ingredient of any of the foregoing which now or in the future constitutes part of the System. "Retail sale" means any sale by you directly to an ultimate consumer. "Wholesale sale or distribution" means any sale or distribution by you to a third party for resale, retail sale, or further distribution. "Component" means any constituent part, ingredient, element, segment or derivative.

#### 3.04 Rights We Reserve

You understand and agree that we and/or our affiliates may, in or outside the Territory (except as we are restricted by Section 3.02 of this Agreement), engage in any business activity and deploy any business concept whatsoever and use our Proprietary Marks or any other names or marks owned or developed by us or our affiliates in connection with such other concepts and business activities. You further understand and agree that this Agreement does not confer upon you any right to participate in or benefit from such other concepts or business activities, regardless of whether it is conducted under the Proprietary Marks or not. Our and our affiliates' rights to engage in other business activities are specifically reserved and may not be qualified or diminished in any way by implication. We thus may engage in, or authorize others to engage in, any form of business offering and selling any type of program, product or service except as restricted by Section 3.02 above.

By way of example, we and/or our affiliates may own, operate or authorize others to own or operate any type of business at any location whatsoever, including within your Territory, so long as such other business does not sell under the Proprietary Marks the type of programs, products or services which your Business offers and sells (except as permitted below). Further, we and/or our affiliates may own, operate or authorize others to own or operate Businesses at any location outside of your Territory, including immediately proximate to your Territory.

In addition, you understand and agree that we and/or our affiliates alone have the right to offer and sell within and outside your Territory, and under the Proprietary Marks, any and all programs, products or services and/or their components or ingredients (including those used or sold by your franchised Business), whether or not a part of the System, through any alternative method of distribution including, without limitation, such alternative channels of distribution as the internet/worldwide web; any other form of electronic commerce; "800" or similar toll-free telephone numbers; supermarkets, grocery stores and convenience stores; mail order; catalogs; television sales (including "infomercials"); food trucks; take-away premises; online networks; other permanent, temporary or seasonal food service facilities; or, any other channel of distribution whatsoever except for a Restaurant in your Territory.

You also understand and agree that we and/or our affiliates have the right to offer and sell (directly, or through other franchisees or licensees) System programs, products and services at any and all nontraditional locations, including nontraditional locations situated in your Territory, through the establishment of Restaurants, kiosks, mobile units, concessions or "shop in shops", and that, by contrast, you are precluded from engaging in such activity. "Nontraditional locations" are locations or venues at which access to the general public is restricted and include sports arenas and venues; theatres; resorts; food retailers (including supermarkets, grocery stores and convenience stores); malls and mall food courts; schools and universities; hospitals and healthcare facilities; airports; guest lodging facilities; day care facilities of any type; government facilities; condominium and cooperative complexes; the premises of any third party retailer which is not a restaurant (including shops, stores and department stores); military bases and installations; airlines, railroads and other modes of mass transportation.

You further agree that, both within and outside the Territory, we and/or our affiliates alone have the right to sell System programs, products and services to National, Regional and Institutional Accounts. "National, Regional and Institutional Accounts" are organizational or institutional customers whose presence is not confined to your Territory, including (by way of example only): business entities with offices or branches situated both inside and outside of your Territory; government agencies, branches or facilities; guest lodging networks; healthcare networks; the military; and, any other customer whose presence is not confined to your Territory. Only we will have the right to enter into contracts with National, Regional and/or Institutional Accounts (which may include facilities within your Territory). If we receive orders for any Crafty Crab products or services calling for delivery or performance in your Territory as a result of our engaging in commerce with National, Regional and Institutional Accounts, then we will have the right, but not the obligation, either to require you to fulfill such orders at the price we agree on with the customer or to give you the opportunity to fulfill such orders at the price we agree on with the customer. If we give you the opportunity to fulfill such orders and if, for any reason, you do not desire to or cannot serve the customer, or if the customer desires for any or no reason to deal exclusively with us, our affiliate or another franchisee and not with you, then we, our affiliate or any other Crafty Crab franchisee may serve the customer within your Territory, and you will not be entitled to any compensation. The procedures governing our National, Regional and Institutional Accounts program are set forth in our Brand Standards. For the purposes of this Agreement, an "affiliate" of an individual or entity (such as you or us) is defined to mean any individual or business entity which directly or indirectly is controlled by, controls or is under common control with that person or entity.

## 4. INITIAL TERM AND SUCCESSOR TERM

### 4.01 Initial Term

The initial term ("Initial Term") of this Agreement will be ten (10) years, beginning on the Effective Date, unless this Agreement is sooner terminated in accordance with its provisions.

### 4.02 Successor Term and Successor Agreement

You will have the right to enter into two (2) consecutive Successor Franchise Agreements, each featuring a term of five (5) years (a "Successor Term") if you have complied with the conditions and procedures for a Successor Term specified in Article 14 below. The first Successor Term will begin on the date that the Initial Term expires and each succeeding Successor Term will begin on the date that the previous Successor Term expires. The first successor franchise agreement (the "Successor Franchise Agreement") will supersede this Agreement and each subsequent Successor Franchise Agreement will supersede the preceding Successor Franchise Agreement. Successor Franchise Agreements may not take the form of this Agreement; but, instead, may each take the form of our then-current franchise agreement and may materially vary from this Agreement in all respects, except that no "initial franchise fee" will apply to you; the boundaries of your Territory will remain the same; the limited Successor Term rights identified in this Agreement will be incorporated (as applicable); and, the Continuing Royalty on entering into a Successor Franchise Agreement will not be greater than the Continuing Royalty that we then impose on similarly situated franchisees entering into successor franchise agreements. The conditions to and procedures governing your right to a Successor Term are set forth below in Article 14.

## 5. YOUR PAYMENTS TO US

### 5.01 Initial Franchise Fee

You agree to pay us an initial franchise fee (the "Initial Franchise Fee") of \$40,000. The Initial Franchise Fee is payable in full on the Effective Date of this Agreement; is not refundable except as specifically provided in this Agreement; and, will be deemed fully earned when paid solely in consideration of our execution of this Agreement and not in exchange for any particular programs, products, services or assistance.

### 5.02 Initial Training Fee

You agree to pay us an initial training fee (the "Initial Training Fee") of \$10,000. The Initial Training Fee is payable in full on the Effective Date of this Agreement; is not refundable except as specifically provided in this Agreement; and, will be deemed fully earned when paid.

### 5.03 Continuing Royalty

You agree to pay us a monthly continuing royalty (the "Continuing Royalty") equal to 3% of your previous month's Gross Revenues, as defined in Section 5.06. The Continuing Royalty is solely in consideration of our granting you the franchise conferred by this Agreement and is not in exchange for any particular goods, services or assistance we may furnish you.

If a state or local law in which your Crafty Crab Business is located prohibits or restricts in any way your ability to pay and our ability to collect the Continuing Royalty derived from the sale of alcoholic beverages at your Restaurant (an "Alcohol Restriction Law"), you will be required to pay whatever increased percentages of all Gross Revenues not deriving from the sale of alcohol are necessary so that the Continuing Royalty you pay equals the Continuing Royalty you would make if you were not subject to an Alcohol Restriction Law.

### 5.04 System Advertising Contribution

You agree to pay us a monthly system advertising contribution ("System Advertising Contribution") equal to up to 1.5% of your prior month's Gross Revenues (as defined in Section 5.06), currently 1.0% of your prior month's Gross Revenues. These System Advertising Contributions will be expended as provided for in Section 10.01 below. Franchisor may, in its discretion, change the

required System Advertising Contribution during the term of this Agreement upon notice to Franchisee, but in no event shall it be more than 1.5% of your prior month's Gross Revenues.

If a state or local law in which your Crafty Crab Business is located prohibits or restricts in any way your ability to pay and our ability to collect the System Advertising Contribution derived from the sale of alcoholic beverages at your Restaurant (an "Alcohol Restriction Law"), you will be required to pay whatever increased percentages of all Gross Revenues not deriving from the sale of alcohol are necessary so that the Continuing Royalty you pay equals the Continuing Royalty you would make if you were not subject to an Alcohol Restriction Law.

#### **5.05 Technology Fee**

When we notify you that we are instituting a technology fee, you agree to pay us the then-current technology fee (the "Technology Fee"); provided, however, that the Technology Fee we charge you during the Initial Term of this Agreement shall not exceed one percent (1%) of your Gross Revenues per month. The Technology Fee defrays our costs of developing, upgrading, enhancing, implementing, operating, maintaining, supporting, hosting, securing, and integrating new and existing software and technology platforms for Crafty Crab Restaurants. Such platforms may include, without limitation, restaurant operating systems, product and customer distribution channels, customer facing applications, e-commerce and payment processing systems, supply chain systems for use by and for the benefit of Crafty Crab Restaurants. The Technology Fee may be adjusted (including the structure of the Technology Fee (e.g., percentage of sales, flat fee and/or transaction-based fee) at any time with sixty (60) days' prior written notice to you, and subject to the maximum amount stated above in this paragraph. The Technology Fee will be due and payable at the same time as the Continuing Royalty set forth in Section 5.03, or as otherwise defined by us.

#### **5.06 Definition of Gross Revenues**

"Gross Revenues" means all revenues and income from any source that you directly or indirectly derive or receive from, through, by or on account of the operation of your franchised Business and/or Restaurant (including, without limitation, income related to take-outs, catering operations, digital and online sales including through third-party online ordering and/or delivery aggregators, special events and revenues and income from permitted non-restaurant operations conducted under or using the Marks), whether received in cash, in services, in kind, from barter and/or exchange (valued at the full retail value of the goods or services received), on credit (whether or not you ultimately receive payment on credit transactions), or otherwise. Gross Revenues specifically includes revenues and income you receive from the proceeds of any business interruption insurance policies and/or the sale of any promotional or premium items. You may deduct from Gross Revenues, to the extent they had been included in your calculation of Gross Revenues, documented refunds, charge backs, credits and allowances that you give in good faith to customers; proceeds from property damage or liability insurance; and proceeds from any civil forfeiture, condemnation, or seizure by government entities. You may also deduct from Gross Revenues all sales taxes or similar taxes which you legally charge to customers if you add the taxes when you charge the customer; send the tax payments to the appropriate tax authorities when due; furnish us within thirty (30) days of payment an official receipt for the payment of the taxes or any other evidence that we reasonably consider acceptable; and, state in the monthly report required by Section 5.07 of this Agreement the amount of all these taxes and the payments to which they relate.

We may, from time to time, authorize certain other items to be excluded from Gross Revenues. Any such permission may be revoked or withdrawn at any time in writing by us in our sole discretion. The following are included within the definition of Gross Revenues except as noted below:

(a) The full value of meals furnished to your employees as an incident to their employment, except that the value of any discounts extended to such employees may be credited

against Gross Revenues during the month in which the meals were furnished for the purpose of determining the amount of Gross Revenues upon which the Continuing Royalty is due; and

(b) All proceeds from the sale of coupons, gift cards or vouchers; provided, that at the time such coupons, gift cards or vouchers are redeemed the retail price thereof may be credited against Gross Revenues during the month in which such coupon, gift card or voucher is redeemed for the purpose of determining the amount of Gross Revenues upon which the Continuing Royalty is due. If sales proceeds are not recorded and reported for purposes of the Continuing Royalty at the time the coupon, gift card or voucher is sold, or if such coupons, gift card or vouchers are distributed free of charge, no credit against Gross Revenues is permitted upon redemption of such coupon, gift card or voucher.

#### **5.07 Reporting and Payment**

A. You agree to submit a monthly report to us for our receipt on or before the third (3<sup>rd</sup>) day of each month. The monthly report will consist of a statement reporting all Gross Revenues for the preceding month and your calculation of the Continuing Royalty, System Advertising Contribution, Technology Fee (if any) and any other fees due thereon, all in the manner and form we prescribe. You must manually or electronically sign the monthly report as we direct. We reserve the right to require you to file your monthly reports electronically or through any now or hereafter developed mode of communication and/or data transmission. You also agree to furnish to us any other financial or non-financial data that we request concerning the activity of your Business in the form, manner and frequency that we request it. If you fail to submit any report to us by the time it is due, then you shall pay us \$150 per late report for every month (or portion of a month) that such report is late.

B. On or before the 10<sup>th</sup> day of each month, you agree to pay us the Continuing Royalty, System Advertising Contribution and Technology Fee (if any) due for the preceding month, as specified in your monthly report.

C. We reserve the right to require the transmission of these and any other payments required under this Agreement by direct account debit, electronic funds transfer or other similar technology now or hereafter developed to accomplish the same purpose. If we require you to make payments by direct account debit, electronic funds transfer or other similar technology we designate, you agree to deposit and maintain at all times sufficient funds to cover all fees and payments you owe to us and our affiliates in a segregated bank account (the "Bank Account") that you form and maintain for the franchised Business and Restaurant. If you fail to properly report the Restaurant's Gross Revenues and any other sales data and/or information we request through this alternative method based on the deadlines described above, we may debit your Bank Account for one hundred twenty percent (120%) of the last Continuing Royalty, System Advertising, and Technology Fee (if any) that we debited (together with the interest noted in Section 5.07(D) below). If the amounts that we debit from your Bank Account are less than the amounts you actually owe us (once we have determined the Restaurant's true and correct Gross Revenues), we will debit your Bank Account for the balance. If the amounts that we debit from your Bank Account are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your Bank Account during the following period. The Bank Account must have the capacity to make payments through the means we designate, and you must sign all documents required by your bank, our bank and us or for approval and implementation of the debit or transfer process. If and when we have implemented this requirement, you may not change the Bank Account without our advance written approval. You agree to pay all costs of direct account debit, electronic funds transfer or other similar technology we designate.

D. You agree to pay us or our affiliates interest on any overdue amounts owed to us or our affiliates (under this or any other agreement) at the lesser of (i) the maximum commercial contract interest rate permitted by law, or (ii) the rate of 18% per annum, plus any applicable bank charges, on the first day of each month that an amount is past due. This provision does not constitute



consent to late payments or an agreement to extend credit. If you are delinquent in any required payment, we or our affiliate may apply any payment from you to any obligation due in whatever order and for whatever purposes as we determine, whether or not there is any contrary designation by you. In the event that you are eligible to receive any payments from us pursuant to an incentive program, we may apply such incentive payments to offset any of your past due indebtedness to us. We may also any amounts you or your owners owe us or our affiliates against any amounts we or our affiliates owe you or your owners. You may not withhold, set-off or recoup payment of any amount due on the grounds of the alleged non-performance or breach of any of our or our affiliates' obligations under this or any other agreement.

E. In addition to all other payments under this Agreement, you agree to pay us or our affiliates immediately upon demand: (a) all sales taxes, trademark license taxes, gross receipts taxes and any other taxes imposed on or required to be collected or paid by us, our affiliates and/or our third party designees (as applicable) (excluding any corporate income taxes imposed on us, our affiliates and/or our third party designees) because we, our affiliates and/or our third party designees (as applicable) have furnished programs or services to you, collected any fee from you, licensed our Proprietary Marks to you and/or entered into this Agreement with you; (b) all amounts we advance, pay or become obligated to pay on your behalf for any reason; and, (c) any amount to reimburse us for costs and commissions paid or due to a collection agency or in connection with our collection efforts; and (d) all amounts you owe us or our affiliates for programs, products or services that you purchase from us or our affiliates.

## **6. SITE SELECTION, CONSTRUCTION, TRADE DRESS AND LEASE REQUIREMENTS**

### **6.01 Restaurant Location**

A. You may operate your franchised Business only from your Restaurant premises location (the "Restaurant Location"). You may use the Restaurant Location for no other purpose than the operation of the franchised Business.

B. If you have suggested a Restaurant Location which we have approved before the execution of this Agreement, then the address of that Restaurant Location will be set forth on Exhibit A to this Agreement. If you have not suggested a Restaurant Location which we have approved before the execution of this Agreement, then the following provisions will apply:

We will furnish to you our Restaurant site selection criteria following the execution of this Agreement. You agree to use your best efforts to find an acceptable Restaurant Location within the Territory. You must comply with all our Restaurant specifications, requirements and restrictions. The Restaurant Location will be subject to our advance written approval, and our determination will be final. We may require you to submit maps, completed checklists, photographs, diagrams of the premises with measurements and other information and materials which we may reasonably require to evaluate your proposed Restaurant Location.

It is of the essence of this Agreement that you select a Restaurant Location, identify it to us, obtain our advance written approval and sign a lease approved by us (or provide proof of ownership) for your Restaurant Location within ninety (90) days following the date of our execution of this Agreement. If you intend to own the Restaurant Location, then you agree to furnish to us proof of ownership or an executed contract of sale within thirty (30) days following our approval of the Restaurant Location. If you do not secure a Restaurant Location within the time limits and following the procedures specified in this Section 6.01, then this failure will be a material and incurable breach of this Agreement which, unless we waive the breach, will entitle us to terminate this Agreement immediately upon notice to you, with no opportunity to cure. If we terminate the Agreement for this reason, then all funds you paid us will be considered earned by us and you must execute a General Release in the form of Exhibit I running in favor of us and our affiliates.

In addition, if you and we cannot agree upon a Restaurant Location within sixty (60) days following the Effective Date, then either you or we can terminate this Agreement, and if either of us does so, then all funds you paid us will be considered earned by us and you must execute a General Release in the form of Exhibit I running in favor of us and our affiliates.

You understand that any advice we furnish regarding site selection and our proposal, inspection and/or approval of any proposed site for your Restaurant Location will not constitute, and will not be deemed to constitute, our express or implied representation, warranty, guarantee or any other indication of the prospective profitability, viability or merit of the Restaurant Location.

#### **6.02 Restaurant Location Lease**

If you will be leasing the Restaurant Location, then promptly following our written approval of your proposed Restaurant Location site, you agree to obtain a lease or sublease for the Restaurant Location which, unless we otherwise approve the lease in advance, must be accompanied by a rider incorporating the requirements specified in Exhibit C to this Agreement. You agree to deliver to us a copy of any proposed lease or sublease and any related documents (collectively, the "Lease") before you execute the Lease. Any Lease will be subject to our advance written approval, which we will not unreasonably withhold or delay, provided, however, that we expressly reserve the right to disapprove any Lease not accompanied by a rider embracing all of the provisions of Exhibit C and whose term is not at least as long as the Initial Term of this Agreement. If we do not communicate our approval or disapproval of a proposed Lease to you within twenty (20) business days following our receipt of the proposed Lease, and if the Lease is accompanied by a rider containing the required provisions of Exhibit C, then the Lease will be considered approved.

You may not, in any Lease, create any obligations or grant any rights against us or our affiliates or agree to any term, condition or covenant which is inconsistent with this Agreement or any related agreement. You also acknowledge and agree that you are bound by the terms, conditions, covenants and obligations of the Lease and that your failure to comply with the Lease will constitute a material breach of this Agreement. You may not assign, transfer or encumber your Lease or sublet all or any part of the Restaurant Location without our advance written approval.

#### **6.03 Construction of Your Restaurant**

After acquiring the Restaurant Location by lease or purchase, you shall at your expense construct your Restaurant or, if applicable, convert the existing premises at the Restaurant Location to become your Restaurant, in conformity with the final plans and specifications which we have approved (as provided in Section 6.03). At your expense and prior to commencing construction of your Restaurant, you must obtain all necessary permits, licenses, variances and approvals pertaining to the building, occupancy, signs, utilities, zoning, use, and any other permits, approvals or variances which are necessary to permit the construction and use of a Restaurant as may be required by federal, state and local laws, rules, regulations or ordinances. You shall certify to us in writing that all such permits, licenses, variances and approvals have been obtained.

You must engage a qualified, licensed and bonded general contractor to construct your Restaurant and to complete all improvements. You must obtain and maintain in force during the entire period of construction the insurance required under Section 9.01 of this Agreement. Your indemnification of us, our affiliates and all others specified in Section 8.10 below applies to each and every activity arising from or related to the construction of your Restaurant. You understand that our approval of your final plans for your Restaurant does not render us liable for any defects, neglects, omissions, errors or negligence associated with such plans and shall not in any fashion be construed to diminish or negate your indemnification of us, our affiliates and the others referenced in Section 8.10 below nor render us liable in any fashion or to any extent for any liabilities engendered thereby.

You must use your best efforts to complete the construction or conversion of your Restaurant promptly. You must provide us with comprehensive information regarding all phases of the

development process of the Restaurant Location as we may require, such as weekly progress reports during conversion, in the format we designate. This information will include (without limitation and as applicable) the names, addresses and telephone numbers of your architect, civil engineer, surveyor, general contractor, subcontractors, principal vendors and environmental consultant, and the primary contact for each; copies of all permits, licenses, contractor's liability insurance certificates and other similar items required for the conversion of your Restaurant; and, copies of all construction or remodeling contracts and documents, along with originals of all lien waivers and copies of all invoices. These requirements will also apply to any construction, remodeling, renovation or refurbishing of your Restaurant at any time after it opens.

We will not be responsible for delays in construction, conversion, remodeling, equipping or decoration or for any loss resulting from your Restaurant's plans that you furnished to us pursuant to Section 6.03 before implementing the changes. You hereby grant us access to your Restaurant Location while work is in progress. We may require any reasonable modifications of the construction of your Restaurant that we consider necessary or desirable in our reasonable business judgment. If you fail to promptly begin the design, construction, equipping and opening of your Restaurant with due diligence, we may elect to terminate this Agreement immediately upon notice to you. All signs at your Restaurant must conform to our sign criteria, unless you demonstrate good cause and we consent in writing to such non-conformance.

You will notify us of the scheduled date for completion of construction no later than thirty (30) days prior to such date. When construction is complete and before you open your Restaurant, your architect and general contractor must provide us with a certificate stating that the as-built plans for the Restaurant fully comply with the Americans with Disabilities Act (the "ADA"); the architectural guidelines under the ADA; and, all other laws, rules, regulations, codes and ordinances applicable to the Restaurant and the Restaurant Location, including any requirements set forth in the Lease for the Restaurant Location.

We will have the right, but not the obligation, to conduct a final inspection of the completed Restaurant before it opens. We may require any corrections and modifications we consider reasonable and necessary to bring the Restaurant into compliance with the plans and specifications we approved. The Restaurant will not be allowed to open if the Restaurant does not conform to the approved plans and specifications, including changes thereto that we may approve.

#### **6.04 Specifications and Sources of Supply**

We will provide you with a sample layout for the interior of a prototype Restaurant and a set of typical preliminary plans and specifications for, and approved sources of supply of, your Restaurant's furniture, fixtures, equipment, signs and/or other trade dress elements. We reserve the right to be (and earn a profit as) an approved source or the only approved source of certain of your Restaurant's furniture, fixtures, equipment and/or other trade dress elements and to earn a profit from such activity. If we have not specified a source of supply for any such item, then you may purchase that item from any source, so long as the items purchased are in strict accordance with any specifications concerning the item which we have issued in the Brand Standards or otherwise. You must obtain our advance written consent before deviating in any fashion from our specifications.

All signs at your Restaurant must conform to our sign criteria, unless we otherwise consent in writing, for good cause you demonstrate. You must submit to us proofs of all signage for your franchised Restaurant, and receive our written consent in each instance to proceed (via e-mail is sufficient), prior to erecting or installing any signage at or on the premises of your Restaurant Location.

The sample layout and preliminary plans we furnish you will not address the requirements of any federal, state or local law, code or regulation, including those of the ADA or similar laws or rules. You alone, working with your architect or engineer (if applicable), are responsible for ensuring that

your Restaurant, as constructed, complies with all applicable laws, rules, regulations, ordinances, building codes, fire codes, permit requirements and the ADA. Further, the sample layout and preliminary plans we furnish you will not contain the requirements of, and may not be used for, construction drawings or other documentation necessary to obtain permits or authorizations to build and/or operate a specific Restaurant. You agree, at your expense, to employ architects, designers, engineers or others, all as we may specify, necessary to complete, adapt, modify or substitute the layout, plans and specifications for your Restaurant.

You must employ a qualified, licensed architect and/or engineer that we specify or, if we do not specify, who is reasonably acceptable to us to prepare preliminary plans and specifications for the site improvement and construction of your Restaurant (which must be based on the sample layout and preliminary plans we furnish to you). You must also engage the services of a qualified interior designer that we specify or, if we do not specify, who is reasonably acceptable to us to design your Restaurant. You must submit a complete set of your proposed final plans and specifications (including your proposed design plans) to us and obtain our written approval of them before you seek to register them with any governmental or quasi-governmental agency or begin construction of your franchised Restaurant. Your proposed final plans and specifications must include a three-dimensional rendering of the completed Restaurant, acceptable to us, prepared by your architect or designer. Our approval will be based on our assessment of compliance with our standards for new Restaurants. We will not assess compliance with federal, state or local laws, rules or regulations, including the ADA. Your architect must certify to you in writing that the plans and specifications for your Restaurant comply with the ADA; the architectural guidelines under the ADA; all applicable federal, state and/or local laws, rules and regulations for accessible facilities; and, all other applicable federal, state or local laws, rules and regulations (including building codes, fire codes and permit requirements). You must furnish us with a copy of this certification prior to opening for business.

You agree that any plans and specifications you prepare and submit to us will be irrevocably licensed to us in perpetuity. We, our affiliates and any other franchisees to whom we give these plans and specifications may use them without owing you any compensation or being liable to you in any way.

#### **6.05 Maintaining Your Restaurant**

You shall at all times maintain at your sole expense the interior and exterior of your franchised Restaurant and the entire franchised Restaurant Location and any other facilities used by the franchised Business in first class condition and repair, and in compliance with all applicable laws, rules, regulations and our Brand Standards, except to the extent that we may otherwise expressly agree in writing.

#### **6.06 Refurbishing Your Restaurant**

We have the right to require you once every five (5) years during the Initial Term of this Agreement, at your sole expense, to update, remodel, refurbish, renovate, modify or redesign the Restaurant so that it reflects our then-current standards. If any such direction of ours requires you to expend more than Fifty Thousand Dollars (\$50,000) to effect the directed activity, then you will have six months following your receipt of our notice to comply with our direction. In addition, we will relieve you from our direction if in our sole opinion you will be unable to amortize the additional investment required during the balance of the Initial Term of this Agreement; however, under these circumstances, we may extend the term of this Agreement to allow for a new schedule of amortization, and if we do so you will be required to comply with our direction.

#### **6.07 Relocation of Your Restaurant**

You may not relocate your Restaurant to another location without first obtaining our written approval for the new location and reimbursing us for any reasonable costs we incur in considering your request. If you relocate the Restaurant with our approval subject to the terms of this Section 6.07, the new location will be the "Restaurant Location" of the franchised Business. Any relocation

will be at your expense. All leases or subleases that you enter into, all plans and specifications for your relocated Restaurant that you adduce and all construction, remodeling, renovation or other such activity that you perform at and for the relocated Restaurant must be in accordance with all of the provisions of this Article 6 and our then-current standards, specifications and requirements.

#### **6.08 Time Is Of the Essence**

**Subject to the provisions of Article 20 of this Agreement (“Unavoidable Delay or Failure to Perform [Force Majeure]”), time is of the essence with regard to each and every requirement of this Article 6.**

### **7. OUR DUTIES**

#### **7.01 Confidential Operating Brand Standards; Policy Statements**

We will lend you one copy of our confidential operating manuals (the “Brand Standards”). The Brand Standards may take the form of one or more of the following: one or more loose leaf or bound volumes; bulletins; notices; videos; CD-ROMS; computer software; other electronic media; online postings; e-mail and/or electronic communications; facsimiles; or, any other now or hereafter developed medium capable of conveying the Brand Standards’ contents.

The Brand Standards will, among other things, set forth our operating systems, procedures, policies, methods, standards, specifications and requirements for operating your franchised Business. You agree to operate your Business in strict compliance with the Brand Standards.

We have the right to prescribe additions to, deletions from or revisions of the Brand Standards (the “Supplements to the Brand Standards”), all of which will be considered a part of the Brand Standards. All references to the Brand Standards in this Agreement will include the Supplements to the Brand Standards. Supplements to the Brand Standards will become binding on you as if originally set forth in the Brand Standards, upon being delivered to you.

You acknowledge that we are the owner of all proprietary rights in the Brand Standards and all intellectual property rights connected therewith (including common law copyright) and that you are acquiring no property or other right to the Brand Standards other than a license to use it and comply with it during the term of this Agreement. You agree to ensure at all times that your copy of the Brand Standards is current and up-to-date. If there is any dispute as to your compliance with the provisions of the Brand Standards and any Supplements to the Brand Standards, the master copy of the Brand Standards and any Supplements to the Brand Standards maintained at our principal office will control.

In addition to the Brand Standards, we may issue policy statements designed to provide you with information and/or insight as to our current thinking about various business issues or strategies. Policy statements are not part of the Brand Standards, are not contracts and do not create any contractual or other binding obligation on either you or us.

#### **7.02 Initial Training Program**

After you secure a Restaurant and at least six (6) weeks before the opening of the franchised Restaurant, your Managing Owner and Operating Manager (as each is defined in Section 8.07) must attend and successfully complete our initial training program (the “Initial Training Program”) at the cost of our then-current Initial Training Fee (which is currently Ten Thousand Dollars (\$10,000)). As noted in Section 5.02 (“Initial Training Fee”), you must pay the Initial Training Fee in lump sum simultaneously with your execution of this Agreement. The Initial Training Fee is nonrefundable under any circumstances and is deemed fully earned when paid. We will determine the date of commencement, location and duration of the Initial Training Program and notify you of them. We reserve the right to conduct the Initial Training Program through remote video-conferencing or other technology rather than in-person, in our business judgment.

If we reasonably conclude in our business judgment that either your Managing Owner or Operating Manager has failed to attend or successfully complete our Initial Training Program to our satisfaction in our business judgment, then that person may re-enroll in our next scheduled Initial Training Program at no additional charge. We will have the right to terminate this Agreement if, following your Initial Training Program (including re-enrollment training), we determine that your Managing Owner and/or Operating Manager has failed to attend or successfully complete our Initial Training Program to our satisfaction, in our business judgment. This failure will be a material and incurable breach of this Agreement which, unless we waive the breach, will entitle us to terminate this Agreement immediately upon notice to you, with no opportunity to cure. If we terminate the Agreement for this reason, then all funds you paid us will be considered earned by us, and you must execute a General Release in the form of Exhibit I running in favor of us and our affiliates.

You must pay an additional charge to us for providing the Initial Training Program to additional or replacement personnel. This charge will be no greater than \$2,500 per person. This training is required of replacement Managing Owners and/or Operating Managers.

We reserve the right at all of our training programs to determine the duration of such programs, what subjects are included in the curriculum of our training programs and to train any number of individuals from any number of Businesses, whether franchised or otherwise affiliated with us, at the same time. Under no circumstance will you be compensated for any work your trainees may perform or services your trainees may render in the course of participating in any of our training programs. We reserve the right to furnish our training programs by means of a company intranet or other electronic means of communication (such as web-based tutorials, video streaming, or through other now or hereafter developed media).

At all times during the term of this Agreement, you agree to pay all the expenses incurred by your trainees or attendees in connection with any training, conferences, conventions or other meetings they attend, including, but not limited to, their salaries, transportation costs, meals, lodging and other living expenses.

### **7.03 On-Site Training or Assistance**

If the Restaurant is the first Restaurant established by you or your affiliates, we will provide up to one (1) week of on-site pre-opening and opening assistance as we reasonably deem appropriate; provided, that you will reimburse us for any expenses incurred by our representatives, such as costs of travel, lodging, meals and wages. If the Restaurant is not the first Restaurant established by you, and you request our pre-opening and opening assistance, or we otherwise deem such assistance appropriate, we may charge a reasonable fee for our services, in addition to requiring you to pay or reimburse us for any expenses incurred by our employees or representatives.] After any opening assistance we provide, you may request on-site training or assistance at any time in accordance with guidelines we may specify in the Brand Standards or otherwise. We will not be obligated to provide on-site training or assistance, but if we elect to do so, we may impose a \$300 per trainer fee for each day of on-site training or assistance we agree to provide, plus you must reimburse us for each trainer's lodging and travel. The timing of all advice, consultation and training provided for in this Agreement will be subject to the availability of our personnel.

### **7.04 On-Going Training**

We may from time to time develop additional training programs which you (if an individual) and your Managing Owner must attend and successfully complete. We will determine the duration, curriculum and location of these future additional training programs. We reserve the right to furnish such programs by means of a company intranet or other electronic means of communication (such as web based tutorials, video streaming, or through other now or hereafter developed media). We reserve the right to charge our then-current training fees for such programs. You also agree to pay all of the expenses incurred by your trainees or attendees in connection with any additional training

programs we develop, including their salaries, travel costs, meals, lodging and other living expenses.

In addition, we may from time to time conduct an annual conference, convention or training session. We will determine the duration, curriculum and location of these. You (if an individual) and your Managing Owner must attend each annual conference, convention or training session at your sole expense (including travel, lodging, food and other living expenses).

#### **7.05 Field Support Services**

After you have opened your Restaurant, we may from time to time offer you field support services, supervision and/or assistance that we consider advisable through on-site visits, off-site sessions, telephonic, electronic or other communication modes. You may also at any time communicate with our headquarters for consultation and guidance with respect to the operation and management of your Business. The timing of our field support and headquarter consultation services will be subject to the availability of our personnel.

#### **7.06 Accounting, MIS and POS Systems**

We may, but need not specify the electronic and/or written accounting and management information system ("MIS"), procedures, formats and reporting requirements which you will utilize to account for your franchised Business; maintain your financial records and Restaurant data; and, generate reports for both you and us. In addition to operating reports, payroll, cash management and general ledger accounts, these systems may be tailored to provide computerized point-of-sale ("POS") scanning and invoice entry and/or automated "smart phone" (or other) customer purchase tracking/payment transactions. You will be solely responsible for performing all bookkeeping, recordkeeping and accounting duties prescribed under this Agreement or in the Brand Standards and for bearing the costs of these activities.

#### **7.07 Pricing**

Because enhancing Crafty Crab's interbrand competitive position and consumer acceptance for Crafty Crab's programs, products and services is a paramount goal of us and our franchisees, and because this objective is consistent with the long-term interest of the System overall, we may exercise rights with respect to the pricing of Restaurant programs, products and services to the fullest extent permitted by then-applicable law. These rights may include (without limitation) prescribing the maximum and/or minimum retail prices which you may charge for the foregoing; recommending retail prices; advertising specific retail prices for some or all of the foregoing, which prices you will be compelled to observe (colloquially referred to as "price point advertising campaigns"); engaging in marketing, promotional and related campaigns which you must participate in and which may directly or indirectly impact your retail prices (such as "buy one, get one free"); and, otherwise mandating, directly or indirectly, the maximum and/or minimum retail prices which you may charge. We may engage in any such activity either periodically or throughout the Term of this Agreement. Further, we may, in our discretion, engage in such activity only in certain geographic areas (cities, states, regions) and not others; with respect to certain types of Restaurants but not others; or, with regard to certain subsets of franchisees and not others. You understand that any maximum, minimum or other prices we prescribe or suggest may or may not optimize the revenues or profitability of your franchised Business. However, subject to the terms and conditions of this Section 7.07, nothing in this Agreement may be construed to prevent you from otherwise freely establishing your own prices.

#### **7.08 Nature of Obligations**

All our obligations under this Agreement are to you alone. No other party is entitled to rely on, enforce or obtain relief for breach of any of our obligations hereunder, either directly or by subrogation.

## **8. YOUR DUTIES**

### **8.01 Opening Date**

You must fulfill all of your pre-opening obligations set forth in this Agreement, the Brand Standards and in other written notices from us, and open your franchised Business to the general public no later than twelve (12) months following the Effective Date. Time is of the essence. If you fail to comply with any of such obligations, we will have the right to prohibit the Restaurant from opening.

You will not be allowed to open your Restaurant without our written approval, which we will not unreasonably withhold. In order to obtain our approval to open, you must: obtain all required state, local and other required government certifications, permits and licenses, furnish to us copies of all such required permits and licenses; furnish to us copies of all insurance policies required under this Agreement; attend and successfully complete our Initial Training Program to our satisfaction (as provided in this Agreement); pay us or our affiliates any amounts due through the date that you request our approval to open; not be in default under any agreement with us or any affiliate of ours; not be in default under, but instead be current with, all contracts or agreements with your principal vendors, suppliers and other business creditors (including the lessor or sublessor of your Restaurant Location, us and our affiliates); and, otherwise comply in all respects with the pre-opening obligations set forth in this Agreement, the Brand Standards or other written notices we may furnish to you. In addition to the foregoing, you must submit to us a request to open your Restaurant. Once we receive your request, we will notify you in writing whether or not the Restaurant meets our standards and specifications. If we approve your request to open your Restaurant, our acceptance is not a representation or warranty, express or implied, that the Restaurant complies with any engineering, licensing, environmental, labor, health, building, fire, sanitation, occupational, landlord's, insurance, safety, tax, governmental, or other statutes, rules, regulations, requirements, or recommendations nor a waiver of our right to require continuing compliance with our requirements, standards, or policies.

You must send us a written notice of the actual opening date (the "Opening Date") of the Restaurant franchised hereunder concurrent with such opening.

### **8.02 Manner of Operation**

Your franchised Business and the Restaurant it operates must comply at all times with every provision of this Agreement, the System and the Brand Standards. You may not use the System or the Proprietary Marks for the benefit of any business other than the franchised Business. You may not conduct (or permit anyone else to conduct) any business at your Restaurant other than the franchised Business embraced by this Agreement without first obtaining our written consent, which we may withhold for any reason or no reason. You acknowledge, understand and agree that your strict compliance with the System, this Agreement and the Brand Standards are of the essence to this Agreement and are critically important to you, us and all other franchisees, since your failure to adhere to the System, this Agreement and/or the Brand Standards may damage the reputation and goodwill enjoyed by the Crafty Crab network and the Proprietary Marks.

To the extent that we have furnished to you, or otherwise permitted you to inspect, the Brand Standards prior to your execution of this Agreement, you hereby irrevocably affirm and attest that you have reviewed our Brand Standards in detail and in its entirety; that the Brand Standards are commercially reasonable in all respects; and, that the Brand Standards do not in any fashion exceed our ability to promulgate requirements in same under this Agreement.

### **8.03 Modifications to the System**

In the exercise of our sole business judgment, we may from time to time modify any components of the System and requirements applicable to you by means of Supplements to the Brand Standards or otherwise, including, but not limited to, altering the programs, products, services, methods, standards, accounting and computer systems, forms, policies and procedures of the System; adding to, deleting from or modifying the programs, products and services which your franchised



Business is authorized and required to offer; altering System policies, procedures, methods and requirements; modifying or substituting required equipment, technology, signs, trade dress and other Business characteristics that you will be required to adhere to (subject to the limitations set forth in this Agreement); requirements pertaining to capturing and relaying to us customer information and data; and, changing, improving, modifying or substituting one or more of the Proprietary Marks. You agree to implement any such System modifications as if they were part of the System at the time you signed this Agreement. You also understand and agree that such modifications may obligate you to invest additional capital or incur higher operating costs.

You acknowledge that because uniformity under many varying conditions may not be possible or practical, we reserve the right to materially vary our standards or franchise agreement terms for any particular franchised Business, based on the timing of the grant of the franchise, the peculiarities of the particular market area or circumstances, business potential, population, existing business practices, other non-arbitrary distinctions or any other condition which we consider important to the successful operation of the franchised Business. You will have no right to require us to disclose any variation or to grant the same or a similar variation to you.

#### **8.04 Cobranding**

We may determine from time to time to incorporate in the System programs, products or services which we either develop or otherwise obtain rights to, which are offered and sold under names, trademarks and/or service marks other than the Proprietary Marks and which your Business, along with some or all other Businesses, will be required to offer and sell. This activity, referred to as “cobranding”, may involve changes or additions to the Proprietary Marks and may require you to make modifications to your Restaurant’s premises and the furniture, fixtures, equipment, signs and trade dress of your Restaurant. If we give written notice to you that we are instituting a cobranding program, you agree promptly to implement that program at your Restaurant at the earliest commercially reasonable time and to execute any and all instruments required to do so. Under no circumstance will any cobranding program increase your Continuing Royalty, System Advertising Contribution, Technology Fee (if any) or local advertising expenditure obligations under this Agreement.

#### **8.05 Compliance with Laws, Rules and Regulations**

You agree to adhere to the highest standards of honesty, integrity and fair dealing in all dealings with the public and to operate your Business in strict compliance with all laws, rules, regulations, ordinances, policies and procedures of any federal, state, county, municipal or local governmental or quasi-governmental agency, commission and/or authority which govern the construction or any element of the operation of your franchised Restaurant and Business. You also agree to obtain and keep in good standing all licenses, permits and other governmental consents and approvals which are now or hereafter required to operate your Restaurant and Business now or in the future.

You represent and warrant to us that, as of the date of this Agreement and at all times during the term hereof, and to your actual or constructive knowledge, neither you, any affiliate of yours, any individual or entity having a direct or indirect ownership interest in you or any such affiliate (including any shareholder, general partner, limited partner, member or any type of owner), any officer, director, manager, or management employee of any of the foregoing, nor any funding source you utilize is or will be identified on the list of the U.S. Treasury’s Office of Foreign Assets Control (OFAC); is directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government or by any individual that is subject to an embargo imposed by the United States government; is acting on behalf of any country or individual that is subject to such an embargo; or, is involved in business arrangements or other transactions with any country or individual that is subject to an embargo. You agree that you will immediately notify us in writing immediately upon the occurrence of any event which would render the foregoing representations and warranties incorrect. Notwithstanding anything to the contrary in this Agreement, you may not allow, effect or sustain any transfer, assignment or other

disposition of this Agreement to a "Specially Designated National or Blocked Person" (as defined below) or to an entity in which a "Specially Designated National or Blocked Person has an interest. For the purposes of this Agreement, "Specially Designated National or Blocked Person" means: (i) a person or entity designated by OFAC (or any successor officer agency of the U.S. government) from time to time as a "specially designated national or blocked person" or similar status; (ii) a person or entity described in Section 1 of U.S. Executive Order 13224, issued on September 23, 2001; or, (iii) a person or entity otherwise identified by any government or legal authority as a person with whom you (or any of your owners or affiliates) or we (or any of our owners or affiliates) are prohibited from transacting business.

You further agree that you will not hire, retain, employ or otherwise engage the services of any individual or entity in contravention of the Patriot Act; any law, rule or regulation pertaining to immigration or terrorism; or, any other legally prohibited individual or entity.

You represent and warrant that neither you, nor any entity or individual having an ownership interest in you; nor any affiliate of either yours; nor any officer, director, employee, contractor or servant of any of the foregoing, has in the past, currently does or will in the future support terrorism; provide money or financial services to terrorists; is engaged in terrorism; is on the current United States government list of organizations that support terrorism; has been engaged in or been convicted of fraud, corruption, bribery, money laundering, narcotics trafficking or other crimes; and, that all of the foregoing individuals are eligible under applicable United States Immigration laws to travel to the United States for training or any other purpose.

You are solely responsible for ascertaining what actions you must take to comply with all anti-terrorism and anti-corruption laws, and you specifically acknowledge and agree your indemnification responsibilities as provided in this Agreement pertain to your obligations under this Section 8.05. Any misrepresentation by you under this Section 8.05. or any violation of any anti-terrorism or anti-corruption laws by you, your owners, or employees will constitute grounds for immediate termination of this Agreement and any other agreement you have entered into with us or any of our affiliates.

#### **8.06 Health, Safety and Cleanliness**

You shall meet (or exceed) and maintain the highest health standards and ratings applicable to the operation of your franchised Restaurant. You shall furnish to us, within five (5) days following your receipt thereof, a copy of all inspection reports, warnings, citations, certificates, or ratings resulting from inspections of your Restaurant conducted by any federal, state, county, local or other governmental agency, commission and/or authority.

You shall comply with our requirements and specifications concerning the quality, service and cleanliness of your Restaurant; the programs, products and services sold, offered for sale and/or provided at the Restaurant; and, the operation of the Restaurant under the System, as those requirements may be specified by us in this Agreement, in the Brand Standards or otherwise in writing.

You shall permit us or our agents, at any reasonable time and with or without notice, to remove samples of items from your franchised Business' inventory, or from your franchised Restaurant, without payment therefor, in amounts reasonably necessary for testing either by us or an independent laboratory to determine whether said samples meet our then-current standards and specifications. We may require you to bear the costs of such testing if the supplier of the item has not previously been approved by us or if the sample fails to conform with our specifications.

You shall at all times maintain your franchised Restaurant in the highest degree of sanitation, repair and condition.

### **8.07 Your Participation in the Operation of the Business; Managing Owner**

Unless we otherwise permit in writing, you agree to personally supervise and participate in the day-to-day operation of the franchised Business and to devote your time, attention and best efforts to honestly and diligently perform your obligations under this Agreement, all ancillary documents relating to this Agreement and all other agreements which may now or hereafter be in effect between us (or any affiliate) and you (or any affiliate) and to promote the Restaurant. If you are licensed to operate more than one Business, then you agree to devote such amount of your time and attention to the performance of your duties as is necessary for the proper and effective operation of each such Business.

You must designate a "Managing Owner" for the effective operation of your franchised Business. If you are an individual, then you must serve as the Managing Owner and if you are an entity, you must designate an individual as Managing Owner who has at least a twenty percent (20%) ownership interest in you to serve as your Managing Owner. Before designating and engaging the services of the Managing Owner, you must identify such individual to us; furnish information to us regarding the candidate's background, experience and credentials; and, secure our prior written approval of the candidate, which we will not unreasonably withhold or deny. Your Managing Owner must have complete decision-making authority with regard to your franchised Business and must have the authority (in all respects) to act on your behalf under this Agreement. Your Managing Owner will be responsible for overseeing and supervising the operation of your franchised Business and is the sole individual with whom we will be required to communicate when we seek to communicate with you. The Managing Owner must attend and successfully complete our Initial Training Program. Your proposed Managing Owner must demonstrate to our satisfaction (both at the time of approval and on a continuing basis thereafter) that he/she satisfies our educational, managerial and business standards, and has the aptitude and ability to conduct, operate and supervise your franchised Business.

In addition to designating a Managing Owner, you must also designate an "Operating Manager" for the effective operation of your Restaurant. Your Managing Owner may serve as the Operating Manager. If your Managing Owner will not serve as your Operating Manager, then before designating and engaging the services of the Operating Manager, you must identify such individual to us; furnish information to us regarding the candidate's background, experience and credentials; and, secure our prior written approval of the candidate, which we will not unreasonably withhold or deny. The Operating Manager must devote his/her time, attention and effort in directly overseeing and supervising the day-to-day operation of your Crafty Crab Restaurant. The Operating Manager must attend and successfully complete our Initial Training Program.

You must have at least one (1) Restaurant manager on duty at the Restaurant during all hours of operation. That person may be your Managing Owner, Operating Manager or may be someone trained and supervised by your Managing Owner and/or Operating Manager.

You must immediately notify us within five (5) days upon the death, disability or termination of employment of your Managing Owner or Operating Manager, for any cause or reason, or if your Managing Owner or Operating Manager no longer qualifies as such. You must designate a successor or acting Managing Owner or Operating Manager (as applicable) promptly and, in any event, no later than ten (10) days following the death, disability or termination of the predecessor Managing Owner or Operating Manager. The above protocols and procedures governing your proposal and our approval of your initial Managing Owner and Operating Manager shall apply to any successor Managing Owner or Operating you may propose. Any successor Managing Owner or Operating Manager must possess those credentials set forth in our Brand Standards, must attend and successfully complete our next scheduled Initial Training Program and must attend and successfully complete such other reasonable training at such times as we may specify, all at your expense. The failure to employ and train a successor Managing Owner or Operating Manager will constitute a material breach of this Agreement.

## **8.08 Requirements Concerning Programs, Products and Services**

### **A. *Programs, Products and Services You Sell***

You agree to sell all programs, products and services which are part of the System and all other programs, products and services which we in the future incorporate into the System unless, as to any one or more items, sale is prohibited by local law or regulation or we have granted you our advance written approval to exclude certain programs, products, or services. You may not sell any program, product or service which is not a part of the System or which we delete from the System.

You must maintain in sufficient supply products, materials, supplies and paper goods as conform to our then-current written standards and specifications (as set forth in the Brand Standards or otherwise) and must refrain from deviating therefrom by the use of any non-conforming items without our prior written consent. Your Restaurant must prepare all products utilizing such preparation standards, procedures and techniques as we specify and must refrain from any deviation from our standards and specifications without our prior written consent.

If you desire to sell any program, product, or service which is not a part of the System, then you must obtain our advance written permission, which we may deny for any or no reason. If we grant such advance written approval, then the program, product or service in question will become a part of the System; we may, but will not be required to, authorize the program, product or service for sale at one or more other Restaurants; we may subsequently revoke our approval for any or no reason; we will own all rights associated with the program, product, or service; and, you will not be entitled to any compensation therefor.

### **B. *Proprietary Programs, Products and Services***

You must purchase or lease any proprietary programs, products, systems, methods, platforms, supplies, equipment, materials or services used in conjunction with, offered or sold at the Restaurant which now comprise, or in the future may comprise, a part of the System and which were developed by, are proprietary to or kept secret by us or our affiliates, only from us, an affiliate of ours that we designate or an independent distributor whom we authorize. We impose this requirement to advance uniformity of the Crafty Crab concept and quality and to protect our trade secrets, which are of the essence to the System and this Agreement. Proprietary products may include proprietary seasoning; distinct packaging; and any other category of programs, products, services or equipment. We (or our affiliates or designees) will sell to you all proprietary products under terms we develop and advise you of from time to time. We reserve the right to earn a profit on the sale of proprietary products to you.

### **C. *Sources of Supply and Specifications***

You must purchase certain required non-proprietary programs, products, systems, methods, platforms, supplies, equipment, materials or services, and comply with all specifications for same, from suppliers we designate in writing; from suppliers you propose and we approve; and/or, in accordance with our written specifications. Such standards and specifications may be specific as to brand name, item/model/catalog number, preparation or manufacturing facility, or other factors we consider relevant. All such designated sources must demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards and specifications for such items; that they possess adequate quality controls and capacities to supply your (and other Restaurants') needs promptly and reliably; and, must be approved in writing by us (and have not thereafter been disapproved) prior to any purchases by you from any such supplier. All such designated sources and specifications are subject to addition, modification, revocation and/or deletion by us from time to time upon notice given to you. If we revoke or delete any product, supply, equipment, component or approved supplier, then you must cease using any such disapproved item or supplier (or any items purchased from a revoked source of supply) which are inventoried by your Restaurant within ten (10) days following your receipt of written or electronic notice from us, unless

the item or source of supply poses a threat to the health or safety of the public, in which case you must cease using such item or source of supply immediately upon notice from us orally, electronically, or in writing.

We may from time to time provide you with specifications governing the minimum standards of programs, products, services and/or equipment required to be used in or sold by your Restaurant, for which we do not designate a required source of supply. We will set forth such specifications in our Brand Standards or in other written or electronic notices we transmit to you. We may add to, modify or revoke our specifications in writing from time to time.

You may propose a new or substitute supplier in accordance with the following procedure:

1. You must submit a written request to us for approval of the supplier and then furnish us with the information, data and samples that we reasonably request;
2. The supplier must demonstrate to our reasonable satisfaction that it is able to supply the program, product, service or equipment to you meeting our specifications;
3. We or our agents must have the right, and must be permitted, to inspect the proposed supplier's facilities and to have samples from the supplier delivered either to us, an independent laboratory or another designee for testing, all at your and/or the proposed supplier's expense;
4. The proposed supplier must demonstrate to our reasonable satisfaction, following our inspection or other review, that it is in good standing in the business community in all respects; that the program, product, supply, equipment, material or service meets or exceeds our specifications and standards for same in all respects; and, that the proposed supplier's manufacturing and distribution capabilities are sufficient to furnish you (and other Restaurants) with the subject program, product, supply, equipment, material or service in a consistently timely, sanitary, hygienic and cost-efficient fashion;
5. We may require that the proposed supplier also agree to comply with such other requirements we may deem appropriate, including our ability to conduct continuing inspections and, in connection therewith, charge reasonable continuing inspection fees and administrative costs; and,
6. You must reimburse us for the actual costs we incur to evaluate the product, supplier or service you propose, plus pay an additional 25% of our testing fee as an administrative and service fee to us.

Nothing in the foregoing shall be deemed to require us to approve any particular supplier or to require us to make available to prospective suppliers any standards, specifications, procedures or protocols that we, in our business judgment, deem confidential. We will give you notice of our approval or disapproval within thirty (30) days after receiving your proposal (including all information we reasonably request about the supplier and product in question).

We, our affiliate or our designee may be an approved source of supply for any such non-proprietary program, product, supply, equipment, material or service that you are required to purchase. However, you will not be obligated to purchase any such non-proprietary items solely from us or our affiliate. We will determine the prices we charge for any such item and will notify you of such prices at the time of sale, in our Brand Standards or otherwise. We reserve the right to earn a profit from selling any and all such non-proprietary items to you and other Crafty Crab franchisees.

We and/or our affiliates may derive revenue - - in the form of promotional allowances, volume discounts, commissions, other discounts, performance payments, signing bonuses, rebates,

marketing and advertising allowances, free products, and other economic benefits and payments - from suppliers that we designate, approve, or recommend for some or all Crafty Crab Restaurants on account of those suppliers' prospective or actual dealings with your Restaurant and other Crafty Crab Restaurants. That revenue may or may not be related to services we or our affiliates perform. All amounts received from suppliers, whether or not based on your or other franchisees' purchases from those suppliers, will be our and our affiliates' exclusive property, which we and our affiliates may retain and use without restriction for any purposes we and our affiliates deem appropriate. Any products or services that we or our affiliates sell you directly may be sold to you at prices exceeding our and their costs.

We also reserve the right to direct that any supplier rebates, refunds, advertising allowances or other consideration payable or paid as a result of your purchases of non-proprietary goods, services or equipment be paid until further notice to the System Advertising Fund (to be expended as provided in this Agreement). If we do so, then you hereby acknowledge that you will not assert any interest in such monies.

#### ***D. Systemwide Supply Contracts***

We may, in the exercise of our business judgment, enter into supply contracts either for all Restaurants or a subset of Restaurants situated within one or more geographic regions (each, a "Systemwide Supply Contract"). We may enter in such Systemwide Supply Contracts with one or more vendors for programs, products, supplies, equipment, materials and services that all company-owned and franchised Restaurants in the United States, or company-owned and franchised Restaurants in a designated geographic area, will be required to purchase, use and/or sell. If we do so, then immediately upon notification, you, we and all other Restaurants (or, as applicable, those in the designated geographic area) must purchase the specified program, product, supply, equipment, material or service only from the designated supplier. However, if at the time of our notification you are already a party to a non-terminable supply contract with another vendor or supplier for the item in question, then your obligation to purchase from our designated supplier under the Systemwide Supply Contract will not begin until the scheduled expiration (or earlier termination) of your pre-existing supply contract.

We make no representation that we will enter into any Systemwide Supply Contracts or other exclusive supply arrangements or, if we do so, that you would not otherwise be able to purchase the same programs, products and/or services at a lower price from another supplier. We may add to, modify, substitute or discontinue Systemwide Supply Contracts or exclusive supply arrangements in the exercise of our business judgment.

#### ***E. Technology Requirements***

You understand and agree that it is vital for the System to feature state-of-the-art digital, e-commerce and other modern capabilities, platforms, "apps" and other now or hereafter developed infrastructure, tools, systems and analytics, and that these capabilities are constantly evolving and require continued focus, investment and innovation, all of which may trigger your need to comply with all current and any hereafter developed hardware and software purchase and utilization requirements we impose, as provided hereafter.

You must purchase, utilize, maintain, retire and replace the technology serving your franchised Business as and when we require in the Brand Standards or otherwise in writing. Before the opening of the franchised Business, you agree to procure and install, at your expense, the computer hardware, software, wired and/or wireless internet connections and service, required dedicated telephone and power lines, "smart phone" automated customer purchase tracking facilities and other computer-related accessories, peripherals and equipment that we specify in our Brand Standards or otherwise (the "Computer and Point of Sale Systems"). You agree to obtain and maintain high-speed broadband communications access or other high-speed capacity that we require for your Computer and Point of Sale systems. You also agree to maintain at all times a

functioning e-mail address for your Business and such wi-fi service for your customers as we may designate in the Brand Standards. Despite the fact that you agree to buy, use, and maintain the Computer and Point of Sale System according to our standards and specifications, you will have sole and complete responsibility for: (1) the acquisition, operation, maintenance, and upgrading of the Computer and Point of Sale Systems; (2) the manner in which your Computer and Point of Sale Systems interfaces with our and any third party's computer system; and (3) any and all consequences if the Computer and Point of Sale Systems is not properly operated, maintained, and upgraded.

You agree to provide all assistance we require to bring your Computer and Point of Sale Systems online with our computers at the earliest possible time and to maintain these connections as we require. You agree to input and maintain in your Computer and Point of Sale System all data and information which we prescribe in our Brand Standards, in our proprietary software (if any) and its manuals, and otherwise. We will have independent access to your Computer and Point of Sale System and we may retrieve from your Computer and Point of Sale System all information that we consider necessary, desirable or appropriate. You must accurately, consistently and completely record and provide through the Computer and Point of Sale System all information concerning the operation of the franchised Business that we require, in the form and at the intervals that we require. We may also from time to time adjust requirements pertaining to capturing and relaying to us customer information and data. You acknowledge and agree that all customer information and data arising out of or collected in connection with the operation of the Restaurant is Confidential Information and we are the sole owner of all right, title, and interest in and to such customer information and data in accordance with Section 12.01 of this Agreement.

If we develop or have proprietary software (including any proprietary mobile applications) for us in the future, you agree to use the proprietary software developed by us or on our behalf. You must sign, when we request, our standard form Software License Agreement (Exhibit D). We will initially furnish our proprietary software and associated manuals and materials to you at our expense. You agree to purchase from us new, upgraded or substitute proprietary software whenever we determine to adopt them system-wide, at the prices and on the terms that we establish. You agree to use any proprietary software and software support services that, in the future, either we develop and provide or which are provided on our behalf by a third-party supplier we designate, and you will execute any standard form software license agreement reasonably necessary to do so. The current expense required to obtain such software support services is set forth in the Disclosure Document you received prior to signing this Agreement. You agree to purchase from us or our designee, as applicable, new, upgraded or substitute proprietary software whenever we determine to adopt them systemwide, at the prices and on the terms that we or such third party vendor establish, but you will not be required to do so more than once in any calendar year.

You agree, at your expense, to keep your Computer and Point of Sale System in good maintenance and repair. We may mandate that you add memory, ports, accessories, peripheral equipment and additional, new or substitute software. Following our testing and determination that it will prove economically or systemically beneficial to you and to us, you agree to install at your own expense the additions, modifications, substitutions and/or replacements to your Computer and Point of Sale System hardware, software, telephone and power lines and other Computer and Point of Sale System facilities as we direct, on the dates and within the times we specify in our Brand Standards or otherwise. Although we cannot estimate the future costs of your Computer and Point of Sale System or required service or support, and although these costs might not be fully amortizable over this Agreement's remaining term, you agree to incur the costs of obtaining the computer hardware and software comprising the Computer and Point of Sale System (or additions and modifications) and required service or support, which might include fees payable to us and/or our affiliates. We have no obligation to reimburse you for any Computer and Point of Sale System costs.

You understand and agree that modes of computerization and communication are rapidly evolving and that, accordingly, we may require you at your expense to purchase, install and utilize at your franchised Business and Restaurant such hereafter developed or modified modes of computerization, hardware, software, equipment, accessories, facilities, capabilities, communication, media and/or interfaces as we, in our sole business judgment, determine to incorporate into the System. You shall do so at such time and in such manner as we designate, in our Brand Standards or other written notices. You may be required to purchase such newly developed modes of computerization, as well as improvements to or modifications of your computer and point-of-sale systems, from us or our affiliates and, in connection therewith, enter into related license and support agreements requiring you to pay us and/or our affiliates standard support and maintenance fees. We reserve the right to charge license, support, maintenance and other technology fees separately or in the aggregate and to change the basis of the allocation of any fees from time to time to reflect: (i) any increase or decrease in the costs and expenses of providing the applicable services, or (ii) any change in the competitive needs of the System, including the right to change the basis for charging such fees, so long as the charges are computed on a fair and consistent basis among similarly situated System Restaurants receiving the services for utilizing the applicable systems.

You agree, at your expense, to keep your franchised Business' computer systems and any other technology systems current, supported, and in good maintenance and repair.

Upon termination or expiration of this Agreement, you must return or transfer all software, disks, tapes and other magnetic storage media, as well as all data, software licenses, software or hardware access passwords and codes used in conjunction with your operation of your franchised Restaurants to us in good condition, allowing for normal wear and tear.

You will provide to us all user IDs and passwords required to access files and other information stored on your franchised Business's Computer and Point of Sale Systems. You will at all times ensure that the only personnel conducting transactions on your Computer and Point of Sale Systems will be those who have been trained and qualified in accordance with the requirements of our Brand Standards.

#### **8.09 Web Sites/Social Media**

We alone may establish, maintain, modify or discontinue all internet, worldwide web and electronic commerce activities pertaining to the System, including through the use of a page or profile on a social media website such as Facebook, Snapchat, Instagram, TikTok or Twitter. We may establish one or more websites accessible through one or more uniform resource locators ("URL's") and, if we do, we may design and provide for the benefit of your franchised Business a "click through" subpage at each such website for the promotion of your Business. If we establish one or more websites or other modes of electronic commerce and if we provide a "click through" subpage at each such website for the promotion of your Business, you agree to routinely provide us with updated copy, photographs and news stories about your franchised Business suitable for posting on your Business's "click through" subpage, the content, frequency and procedure of which will be specified in our Brand Standards. Any websites or other modes of electric commerce that we establish or maintain may – in addition to advertising and promoting the programs, products, or services available at Businesses – also be devoted in part to offering Business franchises for sale and be utilized by us to exploit the electronic commerce rights which we alone reserve (as provided in Section 3.04 above).

Notwithstanding the foregoing, we may in our business judgment permit you to maintain your own social media page for your franchised Business, through the use of a page or profile on a social media website such as Facebook, Snapchat, Instagram, TikTok or Twitter. Besides possibly maintaining a social media page, you may not otherwise maintain a presence or advertise on the internet through any other mode of electronic commerce in connection with your franchised Business; establish a link to any website we establish at or from any other website or page; or, at



any time establish any other website, social media (unless we permit you to do so) or electronic commerce presence which in whole or in part incorporates the "Crafty Crab" name or any name confusingly similar thereto. If you wish to establish and maintain a social media page and/or profile for your Crafty Crab Restaurant, you must obtain our prior written consent which we can withhold for any reason or no reason. If we permit you to establish and maintain a social media page or profile for your Crafty Crab Restaurant, you acknowledge and expressly agree to strictly comply with our social media policy as set forth in our Brand Standards which we may modify from time (including providing us with administrative access to your social media page and/or profile).

We alone will be, and at all times will remain, the sole owner of the copyrights to all material which appears on any Crafty Crab website we establish and maintain, including any and all material you may furnish to us as provided above. Ownership of the URL (uniform resource locator) and other identifiers associated with any such web site shall vest exclusively in us.

We may in our business judgment (but are not obligated to) establish an intranet through which downloads of operations and marketing materials, exchanges of franchisee e-mail or other electronic messages, System discussion forums and systemwide communications (among other activities) can be effected.

#### **8.10 Indemnification**

You agree that you will, at your sole cost, at all times defend and hold harmless us, any affiliate of ours, the affiliates, subsidiaries, successors, assigns and designees of each; and, the officers, directors, managers, employees, agents, attorneys, shareholders, owners, members, designees and representatives of all of the foregoing (we and all others referenced above being the "Franchisor Parties"), and indemnify, reimburse and hold harmless us and the Franchisor Parties to the fullest extent permitted by law, against all claims, losses, liabilities and costs (as denominated in the following paragraph) incurred in connection with any judicial, administrative or arbitration action or proceeding (including bankruptcy, insolvency, debtor/creditor or similar proceedings), suit, claim, demand, investigation, or formal or informal inquiry (regardless of whether any of the foregoing is reduced to judgment) or any settlement of the foregoing, which actually or allegedly, directly or indirectly, arises out of, is based upon, is a result of or is related in any way to any element of your entry into this Agreement; your establishment, construction, ownership, opening and operation of your Restaurant and franchised Business, including any other business operating within or in relation to the Restaurant (which other business, if any, shall be subsumed within this paragraph's references to the Restaurant) and further including (without limitation) any personal, bodily or mental injury, death, property damage or loss, suffered by any customer, visitor, manager, operator, supplier, employee or guest of the franchised Restaurant or Business; crimes committed on or near any of the premises or facilities of your franchised Business or vehicles used by your franchised Business; all acts, errors, neglects or omissions engaged in by you, your contractors or subcontractors, as well as any third party, arising out of or related to the design, construction, conversion, build-out, outfitting, remodeling, renovation or upgrading of your Restaurant, whether or not any of the foregoing was approved by us; defects in any Restaurant you construct and/or operate, whether or not discoverable by you or by us; product recalls resulting from or related to your acts, errors or omissions; all acts, errors, neglects or omissions of you or the franchised Business and/or the owners, officers, directors, management, employees, agents, servants, contractors, partners, proprietors, affiliates or representatives of you and/or the franchised Business and/or the Restaurant Location (or any third party acting on your behalf or at your direction), whether in connection with the franchised Business, the Restaurant Location or otherwise, including (without limitation) any property damage, injury or death suffered or caused by any delivery person or vehicle serving your franchised Business; any claim, however and wherever asserted, that we or our affiliates are the employer, joint employer or co-employer of you and/or your employees (including, without limitation, any claims against us for your violation of any federal, local or state labor and/or wage and hour laws, rules or regulations); third party claims against us arising from or related to your breach of the terms, restrictions and requirements of this

Agreement (including, without limitation, your unauthorized use of the Proprietary Marks, violation of any applicable laws, codes, rules or regulations or failure to comply with Privacy Laws); your violation of Privacy Laws; all liabilities arising from your offer, sale and/or delivery of programs, products and/or services as contemplated by this Agreement; your offer, sale and/or delivery of securities, equity interests or other ownership interests in you or the franchised Restaurant or Business; all activities, conduct and representations which you may engage in connected to any actual or attempted assignment (as defined in Section 14.02) of any interest whatsoever in you or the franchised Restaurant or Business (or any entity which controls (as defined in Section 14.02) you or the franchised Restaurant or Business); and, any action by any customer of yours or visitor to your Restaurant or any other facility operated in conjunction with your franchised Business (collectively, an "Indemnification Claim").

As used herein, the phrase "claims, losses, liabilities and costs" includes all claims; causes of action; fines; penalties; liabilities; losses; employment liabilities; compensatory, exemplary, statutory or punitive damages or liabilities; costs of investigation; lost profits; court costs and expenses; reasonable attorneys' and experts' fees and disbursements; settlement amounts; judgments; compensation for damage to our reputation and goodwill; costs of or resulting from delays; travel, food, lodging and other living expenses necessitated by the need or desire to appear before (or witness the proceedings of) courts or tribunals (including arbitration tribunals), or government or quasi-governmental entities (including those incurred by Franchisor Parties' attorneys and/or experts); all expenses of recall, refunds, compensation and public notices; and, other such amounts incurred in connection with the matters described. All such losses and expenses incurred under this indemnification provision will be chargeable to and paid by you pursuant hereto, regardless of any actions, activity or defense undertaken by us or the subsequent success or failure of the actions, activity or defense.

Specifically excluded from the indemnity you give hereby is any liability associated with our or the other Franchisor Parties' gross negligence, willful misconduct or criminal acts (except to the extent that joint liability is involved, in which event the indemnification provided herein shall extend to any finding of comparative or contributory negligence attributable to you).

You agree to give us written notice of any suit, judicial or administrative investigation, proceeding, claim, demand, inquiry or any other event that could be the basis for an Indemnification Claim within three (3) days of your actual or constructive knowledge of it. At our election, you will also defend us and the other Franchisor Parties (including us) against the Indemnification Claim. If you or any of your affiliates and the Franchisor Parties (or any one of them) are named as co-defendants, and there is a conflict of interest between them such that they cannot be represented by common counsel, then the Franchisor Parties may retain separate counsel at your expense and you will promptly reimburse the Franchisor Parties for all costs and attorneys' fees incurred upon request and as they are incurred. We will have the right, at your cost, to control the defense of any Indemnification Claim (including the right to select its counsel or defend or settle any Indemnification Claim at your sole expense) if we determine that such Indemnification Claim may directly or indirectly affect the interests of any of the Franchisor Parties (including us). Our undertaking of defense and/or settlement will in no way diminish your obligation to indemnify the Franchisor Parties and hold them harmless.

We will have the right, at any time we consider appropriate, to offer, order, consent or agree to settlements or take any other remedial or corrective actions we consider expedient with respect to any Indemnification Claim if, in our sole judgment, there are reasonable grounds to do so. You will not settle or compromise any legal action in which any Indemnitee is a defendant without our prior written consent, which we may grant or withhold in our sole discretion and business judgment. None of the Franchisor Parties (including us) shall be required to seek recovery from third parties or otherwise mitigate their losses to claim indemnification from you. You agree that any failure to pursue recovery from third parties or mitigate loss will in no way reduce the amounts recoverable

from you by any of the Franchisor Parties (including us). The indemnification obligations of this Section 8.10 will survive the expiration or sooner termination of this Agreement.

### **8.11 Inspection**

We (and any of our authorized agents or representatives, including outside accountants, auditors and/or inspectors) may enter your Restaurant and any premises of your franchised Business, examine any motor vehicle used in connection with Restaurant operations, photograph the Restaurant and observe and videotape the Restaurant's operation for consecutive or intermittent periods we deem necessary, and/or visit any locations at which you have provided or are providing products, programs, or services to customers or at which you maintain business records, and inspect and audit the products, programs and services provided from or at such locations; the products and supplies contained at such locations and their condition; confer with your employees and customers; and, assess your operating systems and compliance with this Agreement and the System standards. We may conduct such inspections with or without prior notice to you. You shall cooperate with our representatives conducting such inspections by rendering any assistance they may reasonably request. Following any such inspection, you shall take such steps as are necessary to incorporate into your Restaurant and your franchised Business operations any reasonable corrections and modifications we require to maintain the standards of quality and uniformity we prescribe, as quickly as is reasonably possible and using all resources at your disposal.

### **8.12 Intellectual Property You Develop**

You hereby permanently and irrevocably assign to us, in perpetuity throughout the world, any and all rights and interests (including intellectual property rights and interests) to any and all of the following which is developed by you, or on your behalf, if developed in whole or in part in connection with your franchised Business or Restaurant: all programs, products or services; all variations, modifications and/or improvements on programs, products or services; your means, manner and style of offering and selling programs, products and services; management techniques or protocols you may develop (or have developed on your behalf); all layout schematics and design elements; all sales, marketing, advertising and promotional programs, campaigns or materials developed by you or on your behalf; and, all other intellectual property developed by you or on behalf of your franchised Business. Except to the extent prohibited by applicable law, codes, rules or regulations, you waive, and will cause each of your employees or independent contractors who contributed to System modifications and/or improvements to waive, all "moral rights of authors" or any similar rights in such modifications and/or improvements. We may authorize ourselves, our affiliates and/or other franchised Businesses to use and exploit any such rights which are assigned to us hereunder. The sole consideration for your assignment to us of all of the foregoing rights shall be our grant of the franchise conferred upon you by this Agreement.

### **8.13 Adequate Reserves and Working Capital**

We reserve the right to require, at our sole discretion, that you meet certain financial requirements, which may include the requirement to maintain (i) a minimum working capital reserve, (ii) a minimum debt service coverage ratio, (iii) a maximum amount of incurred debt, (iv) a minimum balance in the bank account utilized to make payments to us; and (v) any other reasonable financial health metrics required by us. We will provide such requirements to you in writing and they will become effective thirty (30) days after we provide written notice of such requirement(s) to you. Without limiting the foregoing, you must at all times maintain adequate reserves and working capital sufficient for you to fulfill all your obligations under this Agreement and to cover the risks and contingencies of the franchised Business for at least three months. These reserves may be in the form of cash deposits or lines of credit.

### **8.14 Credit Cards and Other Modes of Payment**

You agree to become and remain a merchant for any credit cards and/or debit cards, and any credit and/or debit card processor(s), which we may specify in our Brand Standards or otherwise.

You also agree to use and accept mobile payments from any mobile payment service (including, without limitation, Apple Pay, Google Pay, PayPal, Venmo and Zelle) that we may specify in our Brand Standards or otherwise. Further, you agree to maintain the creditworthiness required of each of these credit card or debit card (or other mode of payment) issuers; to honor these cards and payment methods for credit purposes; and, to abide by all related regulations and procedures that we and/or the credit card and/or debit card issuer prescribes.

In addition, you agree that, at your sole expense, you shall at our direction and by the time we specify purchase, install and utilize such equipment, facilities and personnel necessary to enable now or hereafter developed alternative modes of customer payments (beyond cash, credit cards and debit cards). Such alternative modes of payment may include, by way of examples only, "smart phone" payment transactions and automated "smart phone" (or other) customer purchase tracking / payment transactions.

You must at all times undertake all reasonable measures to anticipate, detect and prevent fraudulent credit or debit transactions.

#### **8.15 Compliance with Security Protocols**

You agree to assure all communication connections (of whatever form, wireless, cable, internet, broadband or other) and access to financial information, especially credit card information, is at all times kept secure in a manner which is in compliance with all legal requirements and, particularly, with all security requirements of the issuing credit card companies. You further agree to hold us and the other Franchisor Parties (as defined in Section 8.10) harmless from any and all claims and liabilities related to your failure to do so. In addition, at your cost, you agree to provide us with a written report of verification from a specialist approved by us confirming compliance with the obligations imposed by this Section 8.15 and any other proof of such compliance that we may reasonably require.

#### **8.16 Hours of Operation**

You agree to continuously operate your franchised Restaurant on the days and during the minimum hours that we from time to time may specify in our Brand Standards or otherwise. You may establish hours of operation in addition to the required minimum hours, subject to applicable laws, rules or regulations.

#### **8.17 Business Entity Requirements and Records**

If you are a corporation, limited liability company, limited partnership or any other type of business entity, you must comply with the following requirements (which will also apply to any assignee of this Agreement which is a business entity):

- A. Furnish us with all of your formation, organizational and governing documents; a schedule of all current owners (indicating as to each its percentage ownership interest) in the form annexed hereto as Exhibit L; any shareholder, partnership, membership, buy/sell or equivalent agreements and documents; and, a list of all of your officers, directors and managers (as applicable).
- B. Unless we otherwise consent in writing, your business entity's formation and governing documents must provide that its activities will be confined exclusively to the operation of the franchised Business.
- C. You must promptly notify us in writing of any change in any of the information specified, or in any document referred to, herein.
- D. All of your business entity's organizational documents (including any partnership, partnership agreements, incorporation documents, organization/formation documents, bylaws, operating agreements, shareholders agreements, buy/sell or equivalent agreements, and trust instruments) will recite that the issuance or

transfer of any Interest in you is restricted by the terms of this Agreement, and that the sole purpose for which you are formed (and the sole activity in which you are or will be engaged) is the conduct of a franchised Business pursuant to one or more franchise agreements from us and that your activities will be exclusively confined to such purpose. Your organizational documents will also include a "Supremacy of Franchise Agreement" clause reciting the following: "To the extent any provision of this Agreement conflicts, violates or is inconsistent with any provision of the Crafty Crab Franchising LLC Franchise Agreement, the parties hereto agree that the provisions of such Franchise Agreement shall supersede the same and that the parties hereto shall enter into such amendments to this agreement as are necessary in order to make the relevant provisions consistent with or non-violative of the provisions of the Crafty Crab Franchising LLC Franchise Agreement."

- E. You will maintain stop instructions against the transfer on your business entity's corporate records of any securities or other ownership interests, and will not issue securities or other evidences of ownership without the following legend printed legibly and conspicuously on the face of the security or other evidence of ownership:

"The transfer of this certificate and the interests it represents are subject to the terms and conditions of one or more Franchise Agreements with Crafty Crab Franchising LLC, and to the restrictive provisions of the organizational documents of the issuer. Please refer to those documents for the terms of the restrictions."

- F. Without our prior written consent (which shall not be unreasonably withheld, delayed or conditioned), you may not permit any mortgage, lien, pledge or other security interest in respect of any of your business entity's shares, equity interests or other ownership interests. Any violation of this restriction will give us the right to terminate this Agreement immediately upon notice to you.

### **8.18 Staffing Requirements, Qualifications and Training**

You agree to staff your franchised Business in accordance with the specifications and criteria we set forth in our Brand Standards concerning the selection, qualifications, hiring, training, pre-training and post-training of your personnel. You agree to maintain a competent, conscientious, trained staff in sufficient numbers as we require so that you may promptly, efficiently and effectively service customers. You understand, agree, and will never contend otherwise, that the minimum staffing levels we prescribe in our Brand Standards do not reflect our ability to in any fashion control the day-to-day operation of your franchised Business and its Restaurant but, to the contrary, merely reflect those staffing levels necessary to achieve and maintain those standards of quality, uniformity and service which the consuming public has come to associate with the Proprietary Marks and Crafty Crab Restaurants.

You shall take such steps as are necessary to ensure that your employees preserve good customer relations and comply with the standards of appearance, dress code, manner and demeanor we establish in our Brand Standards or otherwise.

To impart to your management and employees the latest procedures, techniques, policies and standards of the System, you agree to conduct the in-house meetings, training sessions, electronic training programs or other programs that we specify in our Brand Standards or otherwise or as you – using your reasonable business judgment – determine are necessary, appropriate or desirable, using any material and programs we may provide for this purpose.

### **8.19 Testimonials and Endorsements**

You agree to permit us (or any of our authorized agents or representatives) to communicate in any manner with your customers to procure customer testimonials and endorsements of the programs,

products or services furnished by your franchised Business and any related programs, products or services. You agree to cooperate with us in procuring testimonials and endorsements. You agree that we will be free to make whatever use of testimonials and endorsements that we determine, and that we will owe you absolutely no direct or indirect compensation or other duty as a consequence of our use.

#### **8.20 Trade Accounts**

You agree to maintain your trade accounts in a current status and to seek to promptly resolve any disputes with trade suppliers. If you do not maintain your trade accounts in a current fashion, we may pay any or all of the accounts on your behalf, but we will have no obligation to do so. If we pay any accounts on your behalf, then you agree to immediately repay us as provided by Section 5.07. If you do not keep your trade accounts current or make immediate repayment to us, this will be a material breach of this Agreement entitling us to terminate this Agreement following our giving you notice and an opportunity to cure your breach.

#### **8.21 No Conflicting Agreements**

During the term of this Agreement, you may not be party to any contract, agreement, business entity formation or governance document, mortgage, lease or restriction of any type which may conflict with, or be breached by, the execution, delivery, consummation and/or performance of this Agreement.

#### **8.22 Taxes**

You shall promptly pay when due all taxes levied or assessed upon your franchised Business including, without limitation, all employment, workers' compensation and sales taxes. In the event you have any *bona fide* dispute as to your liability for taxes assessed, you may contest the validity of the amount of the tax in accordance with the procedures of the taxing authority or applicable law. However, in no event shall you permit a tax sale or seizure by levy of execution or similar writ or warrant, to occur against the premises of your franchised Business, your Restaurant or any improvements thereon.

#### **8.23 Government Actions**

You shall notify us in writing within five (5) days of the commencement of any action, suit or proceeding and/or the issuance of any citation, order, writ, injunction, award or decree of any court, agency or other governmental or quasi-governmental instrumentality, which may adversely affect the operation or financial condition of your franchised Business.

#### **8.24 Privacy and Data Protection**

You will: (i) comply with all applicable international, national, federal, provincial, state, or local laws, codes or regulations that regulate the processing of information that can be used (alone or when used in combination with other information within your control) to identify, locate or contact an individual or pertains in any way to an identified or identifiable individual ("Personal Information") in any way, including, but not limited to, national and state data protection laws, laws regulating marketing communications and/or electronic communications, information security regulations and security breach notification rules ("Privacy Laws"); (ii) employ administrative, physical, technical and organizational safeguards that: (a) are designed to prevent the unauthorized collection, access, use and disclosure of Personal Information ("Safeguards"); and (b) meet or exceed industry standards regarding Safeguards, including payment card industry ("PCI") standards, norms, requirements and protocols to the extent applicable; (iv) comply with all Safeguards that have been and are in the future developed and compiled by us that relate to Privacy Laws and the privacy and security of Personal Information; (iii) refrain from any action or inaction that could cause us to breach any Privacy Laws; and (iv) do and execute, or arrange to be done and executed, each act, document and thing we deem necessary in our business judgment to keep us in compliance with the Privacy Laws. You are solely responsible for educating yourself as to these regulations and standards and for achieving and maintaining applicable compliance certifications.

You will be fully responsible for any unauthorized collection, access, use and/or disclosure of Personal Information arising from your action or inaction. You further agree that the indemnification of us and the other Franchisor Parties specifically embraces all claims and liabilities sought to be imposed against us arising from or related to (directly or indirectly) your failure to comply with the provisions of this Section 8.24.

You will immediately notify us in writing of any breaches or suspected breaches of security (either electronic or physical) that may result in the unauthorized collection, access, use or disclosure of Personal Information or (ii) if you receive any oral or written notice of inquiry, investigation or review from any individual or administrative agency (such as the Federal Trade Commission or State Attorney Generals' offices or other similar agency in countries outside of the U.S.) that arises out of, relates to or affects Personal Information within your control. You will comply with our requests and make all reasonable efforts to assist us in relation to the investigation and remedy of any such breach of security and any claim, allegation, action, suit, proceeding or litigation with respect to the unauthorized access, use or disclosure of the Personal Information.

### **8.25 Complaints; Claims; Safety; Health and Other Violations**

You must process and handle all consumer complaints connected with or relating to the Restaurant, and shall, within twenty-four (24) hours, notify us by telephone and in writing of all of the following complaints: (i) food related illnesses, (ii) safety or health violations, (iii) claims exceeding One Thousand Dollars (\$1,000.00), and (iv) any other material claims against or losses suffered by you.

### **8.26 Crisis Management**

Upon the occurrence of a Crisis Management Event (as defined below):

- A. We may, in our sole and absolute discretion, elect to control the manner in which the Crisis Management Event is handled by the parties, including, without limitation, managing and conducting, ourself or via our designee, all communication with third parties including the news media, temporarily suspending or closing one or more Crafty Crab Restaurants, suspending or discontinuing certain service offerings at some or all Crafty Crab Restaurants and/or taking any remedial measures or making any such other modifications to the Crafty Crab System's policies, procedures, processes and operations as we may deem, in our sole discretion, necessary or prudent in response to the Crisis Management Event. Your and our employees shall cooperate fully with us or our designee in our or our designee's efforts and activities in this regard and shall be bound by all further Crisis Management Event procedures developed by us. You shall not reopen your Crafty Crab Restaurant or resume suspended or discontinued services until we provide our express written consent to do so.
- B. Upon learning that a non-System wide Crisis Management Event has occurred in or about your Crafty Crab Restaurant, you shall immediately inform us by telephone or email (or as otherwise instructed in the Manual) upon becoming aware of such Crisis Management Event. You acknowledge that, if we elect to direct the management of any Crisis Management Event, we or our designee may engage the services of attorneys, experts, doctors, testing laboratories, public relations firms and those other professionals as we deem appropriate, and we may require you to reimburse us for all such costs provided, however, that you shall only be required to reimburse us for such costs to the extent the Crisis Management Event (i) arises, directly or indirectly, from the actions or inactions of you or (ii) relates solely to, or solely occurs in or about, your Crafty Crab Restaurant. Your indemnification obligations as provided in Section 8.10 shall apply to all losses and expenses that may result from our or our designee's exercise of the management rights granted in this Section.

- C. Our rights under this Section 8.26 shall be exercised in our sole business judgment and nothing in this Section 9.28 shall be deemed to require us to act, manage or remediate any Crisis Management Event. Our rights under this Section 8.26 shall continue until we determine that the Crisis Management Event is resolved. We shall have no liability to you for any losses arising from our actions or inactions under this Section 8.26.
- D. "Crisis Management Event" means any event or incident that:
1. occurs at or about, or impacts, your Crafty Crab Restaurant that has or may cause real or perceived harm or injury to member or employees, such as equipment malfunction, food contamination or other food safety issue, matters affecting the health, safety or well-being of any member, employee or the public at the Restaurant, epidemics, pandemics or other contagious diseases, natural disasters, criminal or terrorist acts, shootings, or any other circumstances which may have the actual or potential ability to damage the System, the Proprietary Marks, or the image or reputation of us or our affiliates; and/or
  2. occurs at or about, or impacts (or has the ability to impact regardless of whether such impact so occurs) one or more Crafty Crab Restaurant that (x) has or may cause real or perceived harm or injury to the System, the Proprietary Marks, or the image or reputation of us or our affiliates or (y) has or may cause harm or injury to members, employees or the public, including, but not limited to, incidents or events relating to equipment malfunction, food contamination or other food safety issue, matters affecting the health, safety or well-being of any member, employee or the public at the Restaurant, epidemics, pandemics or other contagious diseases, natural disasters, criminal or terrorist acts, shootings, or any other circumstances which may damage the System, the Proprietary Marks, or the image or reputation of us or our affiliates; and/or
  3. results in any governmental action, mandate, advisory opinion, declaration of emergency or otherwise that may impact, or may require the suspension, termination, or modification of operations of, your Crafty Crab Restaurant.

### **8.27 Coupons, Certificates and Vouchers**

You must participate in, and comply with the requirements of, any gift card, gift certificate, customer loyalty or retention program that we (or our affiliates) implement, at your expense, for all or part of our franchise system and shall sign the forms and take the other action that we require in order for you to participate in such programs. Without limitation, you shall honor coupons, gift cards, gift certificates, or vouchers sold or distributed by other Restaurants and will utilize a vendor approved by us for gift card processing. You may not offer any coupon without our prior written approval.

## **9. INSURANCE**

### **9.01 Your Required Insurance Coverage**

- A. Within ten days following our execution of this Agreement, and thereafter at all times throughout the Term of this Agreement, you agree to purchase at your own expense, and maintain in effect at all times, the following categories of insurance coverage in forms and through insurance companies satisfactory to us. You understand and agree that your Lease may require other or greater insurance coverages than those stated in this Section. Such insurance coverage must extend to and embrace your



franchised Business; your franchised Restaurant; all activities conducted in, at or from your Business and Restaurant; all facilities which may be situated upon your Business's and Restaurant's premises; and, all activities arising from or related to the construction, operation or occupancy of your Restaurant and any other facilities situated on your Restaurant's premises. Your required coverages, policy limits, limitations on deductibles and limitations on self-insured retentions are prescribed by us in our Brand Standards or otherwise in writing and, as noted below, are subject to change:

1. Broad form comprehensive general liability coverage of at least \$1,000,000 aggregate and at least \$500,000 per occurrence, such insurance to embrace (without limitation) claims for personal injury, bodily injury, property damage and product liability. This insurance may not have a deductible or self-insured retention of over \$5,000.
  2. Fire and extended coverage insurance on your Restaurant and property in an amount adequate to replace them in case of an insured loss.
  3. Business interruption insurance in sufficient amounts to cover your Restaurant rental expenses, maintenance of competent personnel and other fixed expenses for a minimum of 120 days.
  4. If any vehicle is operated in connection with the Business, automobile liability insurance (including coverage for all owned, non-owned, leased or hired vehicles) with minimum limits of liability in the greater of (a) the greatest amount required by any applicable federal, state or local law, or (b) \$1,000,000 for each person killed or injured and, subject to that limit for each person, a total minimum of \$2,000,000, along with a minimum limit of \$3,000,000 for injury, destruction or loss of use of property of third persons as a result of any one accident.
  5. Workers' compensation, employer's liability and any other employee insurance required by any applicable federal, state or local law, rule or regulation (but in no event less than \$1,000,000 for employer's liability insurance), and employment practices liability insurance coverage in the amount of at least [\$1,000,000].
  6. In connection with the construction, refurbishment, renovation, remodeling or upgrading of your franchised Restaurant, builders' and/or contractor's insurance (as applicable) and performance and completion bonds in forms and amounts acceptable to us.
  7. Insurance coverage of such types, nature and scope sufficient to satisfy your indemnification obligations under this Agreement (including, without limitation, insurance coverage to indemnify us from any claims alleging your violation of federal, state or local labor and/or wage and hour laws, rules or regulations).
- B. The insurance coverage that you acquire and maintain under this Article 9 must:
1. Name us and the other Franchisor Parties identified in Section 8.10 as additional insureds and provide that the coverage afforded applies separately to each insured against whom a claim is brought as though a separate policy had been issued to each insured (except for workers' compensation, employer's liability and any other employee-related insurance mandated by any federal, state or local law, rule or regulation).

2. Contain no provision which in any way limits or reduces coverage for you if there is a claim by one or more of the Franchisor Parties.
3. Extend to and provide indemnity for all obligations assumed by you under this Agreement and all other items for which you are required to indemnify us under this Agreement.
4. Contains such endorsements as we may specify from time to time in the Brand Standards.
5. Be primary to and without right of contribution from any other insurance purchased by the Franchisor Parties.
6. Provide, by endorsement, that we are entitled to receive at least 30 days prior written notice of any intent to reduce policy limits, restrict coverage, modify, cancel, not renew or otherwise alter or amend the policy.
7. Contain a waiver of subrogation rights against us, the other Franchisor Parties identified in Section 8.10 and any of our successors and/or assigns.
8. Be obtained from responsible insurance carriers acceptable to us which possess a Best's Insurance Guide rating of no less than "A+".
9. All public liability policies may be required by us to contain a provision that although we are named as an additional insured, we are nevertheless entitled to recover under said policies on any loss occasioned to us or the other Franchisor Parties by reason of your negligence or that of your servants, agents or employees.

C. All liability insurance you are required to maintain will insure against our vicarious or imputed liability for actual and (unless prohibited by applicable law) punitive damages assessed against you, us and/or the other Franchisor Parties.

D. You agree not to reduce the policy limits, restrict coverage, cancel or otherwise alter or amend any required insurance policy without our specific advance written consent, which may be denied for any or no reason.

E. If there is a claim by any one or more of the Franchisor Parties against you, you must, upon our request, assign to us all rights which you then have or thereafter may have with respect to the claim against the insurer(s) providing the coverages described in this Section 9.01.

F. You agree that we may periodically add to, modify, substitute or delete the types and amounts of insurance coverage which you are required to maintain under this Agreement, and all features and elements thereof, by written notice to you (through a Supplement to our Brand Standards, or otherwise). Upon delivery or attempted delivery of this written notice, you agree to immediately purchase insurance conforming to any such newly established standards and limits.

## **9.02 Certificates of Insurance**

You agree to promptly provide us with certificates of insurance evidencing the coverages required by this Agreement at least ten (10) days prior to your commencing any of the activities or operations contemplated by this Agreement and, thereafter, at least thirty (30) days prior to the expiration of any such policy. All certificates must evidence proper coverage as required by this Agreement and the Brand Standards. Attached to each certificate shall be a copy of the endorsement amending any clause in the subject policy which relates to other insurance and confirming that all coverage is primary insurance and that our insurance (and the insurance of the other Franchisor Parties identified in Section 8.10 above) is applicable only after all limits of your policy(ies) are exhausted.

You agree to renew all insurance policies and documents and to furnish renewal certificates of insurance to us before the expiration date of the expiring policy in question. We may at any time require you to forward to us full copies of all insurance policies.

### **9.03 Purchase of Insurance on Your Behalf**

If you fail to purchase insurance conforming to the standards and limits we prescribe, we may (but we are not required to) obtain on your behalf the insurance necessary to meet these standards, through agents and insurance companies that we choose. If we do this, then you must immediately pay the required premiums or reimburse us for the premiums we advanced and must also pay us a reasonable fee for the efforts we undertake to obtain such insurance for you. Nothing contained in this Agreement will impose any duty or obligation on us to obtain or maintain any specific forms, kinds or amounts of insurance on your behalf.

### **9.04 No Undertaking or Representation**

Nothing in this Agreement may be considered our undertaking or representation that the insurance that you are required to obtain or that we may obtain for you will insure you against any or all insurable risks of loss which may arise out of or in connection with the operation of the franchised Business. We advise you to consult with your insurance agent and other risk advisors regarding any types, amounts or elements of insurance coverage beyond those specified herein which may be prudent to obtain.

### **9.05 Failure To Purchase Insurance or To Reimburse**

If you fail to purchase or maintain any insurance required by this Agreement or you fail to reimburse us for our purchase of any required insurance on your behalf, your failure will be a material and incurable breach of this Agreement which, unless we waive the breach, will entitle us to terminate this Agreement immediately upon notice to you, with no opportunity to cure.

## **10. ADVERTISING**

### **10.01 Administration of the System Advertising Fund**

We or our designee will administer the System Advertising Fund as follows:

A. As provided in Section 5.04, you agree to pay us a System Advertising Contribution which, combined with the contributions made by all other Crafty Crab franchisees will constitute the System Advertising Fund (or the "Fund").

B. We will direct all advertising programs, with sole control over the creative concepts, materials and media used in such programs, and the placement and allocation of Fund advertising. You acknowledge that the Fund is intended to further general public recognition and acceptance of the Proprietary Marks for the benefit of the System. You further acknowledge that we and our designees undertake no obligation in administering the Fund to make expenditures for you which are equivalent or proportionate to your contributions, to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising or to ensure that any advertising impacts or penetrates your Territory. The Fund is not a trust and we are not a fiduciary with respect to the Fund.

C. The Fund may be used to meet any and all costs of administering, directing, preparing, placing and paying for national, regional or local advertising, including (without limitation): television, radio, magazine, newspaper and worldwide web/internet advertising campaigns; other advertising, marketing and public relations materials; point-of-purchase materials; consumer research, interviews and related activities; the creation, maintenance and periodic modification of the Crafty Crab website; advertising at sports events; mailers, door hangers, freestanding inserts/coupons, brochures and sponsorships; mystery shoppers (both for the System and for competitive networks or units); celebrity endorsements; reviewing any advertising material you propose to use (as provided below); search engine optimization; establishing a third party facility for customizing local advertising materials; accounting for System

Advertising Fund receipts and expenditures; attendance at industry related conventions, shows or seminars; other activities that we in our business judgment believe are appropriate to enhance, promote and/or protect the System or any component thereof; and, engaging advertising agencies to assist in any or all of the foregoing activities, including fees to have print, broadcast and/or internet advertising placed by an agency, and all other advertising agency fees.

D. We need not maintain the sums paid by franchisees to the System Advertising Fund, or income earned from the Fund, in a separate account from our other funds, but we may not use these amounts under any circumstance for any purposes other than those provided for in this Agreement. We may, however, expend monies from the System Advertising Fund for any reasonable administrative costs and overhead that we may incur in activities reasonably related to the administration or direction of the Fund and advertising programs for franchisees including, without limitation, preparing marketing and advertising materials; working with advertising agencies, advertising placement services and creative talent; preparing an accounting of contributions to the System Advertising Fund and the annual statement of Fund contributions and expenditures provided for below; and, otherwise devoting our personnel, resources and/or funds for the benefit of the System Advertising Fund. Our right to expend monies from the System Advertising Fund to reimburse us for such activities is exclusive of any advertising agency fees which the Fund must expend to secure the services of an advertising agency or to have print, broadcast or internet advertising placed by an agency.

E. Within 60 days following the close of our fiscal year, we will prepare (but not audit) a statement detailing System Advertising Fund income and expenses for the fiscal year just ended, a copy of which statement will be sent to you upon request.

F. We expect to expend most contributions to the Fund for advertising during the fiscal year when the contributions are made. If not all advertising funds are spent in the fiscal year in which they accrue, we will use the remaining amount in the future for the benefit of the franchisees and the System. If franchisees request, we will provide them with an annual accounting of how advertising funds are spent, as stated in paragraph "E" immediately above.

G. We reserve the right to use any media, create any programs and allocate advertising funds to any regions or localities in any manner we consider appropriate in our business judgment. The allocation may include rebates to individual franchisees of some or all of their System Advertising Fund contributions for local advertising expenditures if, in our judgment, our national or regional advertising program or campaign cannot effectively advertise or promote in certain regions or communities. If we determine that the total System Advertising Fund Contributions collected from all Crafty Crab franchisees is insufficient to sustain a meaningful regional or national advertising campaign, we may rebate all or a portion of the Fund contributions to franchisees on a pro rata basis. Franchisees must expend any rebate on the types of local advertising and media that we determine. All rebate advertising expenditures must be documented to us in a monthly rebate advertising expenditure report form which we will furnish in our Brand Standards or otherwise.

H. The Fund will not be used for any activity whose sole purpose is the sale of franchises. However, the design and maintenance of our Web site (for which Fund monies may be used) may, without violating the provisions of this Agreement, include information and solicitations for prospective franchisees and public relations and community involvement activities which may result in greater awareness of the Crafty Crab brand and the franchise opportunity.

I. Although the System Advertising Fund is intended to be a perpetual duration, we maintain the right to terminate the Fund, but will not do so until all of the monies in the Fund have been expended for advertising and promotional purposes.

## **10.02 Advertising Standards You Must Comply With**

You may only use advertising which we have either furnished or approved in writing in advance. You agree to conduct all advertising which uses the Proprietary Marks or refers in any way to your franchised Business in a dignified manner and in a fashion calculated to avoid fraud, illegality, deception, misrepresentation, embarrassment, shame, ridicule, disparagement or liability of any type or nature accruing to you, us, your franchised Business, the System, your Restaurant or other Crafty Crab franchisees or Businesses. You agree to conform all of your advertising to the standards, specifications and requirements specified in writing by us, in our Brand Standards or otherwise.

If we learn that you have breached these requirements, we will notify you in writing and if you do not cure the breach within three days following delivery of our notice, then we may terminate or remove any unauthorized advertising at your expense, and will also be entitled to terminate this Agreement unilaterally and immediately upon notice to you (which we may also do if your breach, by its nature, is incurable).

Under this Agreement, the term "advertising" is defined to mean any and all advertising, identification and promotional materials and programs of any type or nature whatsoever including print and broadcast advertisements; direct mail materials; brochures; advertising specialties; electronic commerce communications and "bulletin boards"; any advertising on the internet/worldwide web; any advertising or promotion on social media; public relations and brand awareness programs; direct mail; door hangers; freestanding inserts and coupons; sponsorships; point of sale materials; press releases; business cards; displays; leaflets; telephone and computer greetings; messages and voice-mail/e-mail sent to or accessible by customers or other third parties; promotional material captured in any electronic medium; any advertising through any hereafter developed media, platforms, devices or modes of communication; and, any other material or communication which we denominate as "advertising" in our Brand Standards or otherwise.

You agree to submit to us for approval, before use or dissemination, copies of all proposed advertising you intend to use (except for advertising which we furnish to you under this Agreement or advertising you have previously submitted and we have approved), as well as copies of any advertising previously approved by us during the twelve (12) month period immediately preceding their proposed use. Our approval of any of your proposed advertising may be withheld for any or no reason. If we do not respond within ten business days following our documented receipt of your proposed advertising material, then our approval will be deemed withheld and the proposed advertising material not approved. Our grant or denial of our approval of your proposed advertising will not give rise to any liability on our part and you will not assert claims against us to the contrary.

You must promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from us.

## **10.03 Grand Opening Advertising, Local Advertising and Promotion**

One month before the scheduled opening of the franchised Business under Section 8.01, you agree to spend \$5,000 in grand opening advertising, other local advertising and promotion of your Business. You agree to make this pre-opening and grand opening advertising expenditure using the advertising material, media, special events and other public relations activities that we require or approve, in our Brand Standards or otherwise.

After that, you agree to expend at least one percent (1%) of the previous month's Gross Revenues on local advertising and promotion. "Local Advertising and promotion" means the local or regional Advertising and promotional activities that we specify in our Brand Standards or otherwise, or approve in advance as provided in Section 10.02. Expenditures incurred for any incentive programs for your employees or agents, including the cost of honoring any discounts or coupons,

and salaries and expenses of any of your employees may not be included in the Local Advertising and promotion for purposes of this Section 10.03, unless we first approve them in writing.

On or before January 15<sup>th</sup> of each year during the term of this Agreement, and at any other times that we may require, you agree to furnish to us copies of all statements, invoices and checks issued during the preceding year showing that you have spent the required amounts for local advertising. You further agree to furnish to us an accurate accounting of all expenditures for local advertising and promotion in the previous calendar year, at the same time that you submit the annual financial statements required by Section 11.01 below.

You will be entitled to a credit against your minimum local advertising and promotion requirement for contributions made to an advertising cooperative (as provided for in Section 10.04), but will not be entitled to any credit for Yellow Pages or White Pages advertisements.

#### **10.04 Advertising Cooperatives**

We may, from time to time, establish, change, merge or dissolve regional advertising cooperatives for a geographic area which encompasses two or more Businesses (each a "Regional Advertising Cooperative"). We will furnish to you written notice of the establishment of any Regional Advertising Cooperative for your Territory. The notice will specify the date you are to begin contributions and the amount of the contributions. Contributions will be calculated as a percentage of Gross Revenues as defined in Section 5.06 above. Your contributions to a Regional Advertising Cooperative will be 1% of your Gross Revenues, unless the maximum contribution is changed by franchisee Cooperative members in accordance with the terms of the Bylaws of the Cooperative. You will be entitled to a credit against your minimum local advertising and promotion requirement as set forth in Section 10.03 for contributions made to an advertising cooperative.

Businesses that are owned and operated by us or an affiliate of ours and are within the geographic area of a Regional Advertising Cooperative will participate in and contribute to the Cooperative on the same basis as required of franchisee members of the Cooperative. All Regional Advertising Cooperatives will be governed by Bylaws in the form of Exhibit G, except as modified to conform with the laws of any specific jurisdiction.

The Regional Advertising Cooperative may expend its funds for any or all of the following purposes: (i) development of advertising ideas and concepts; (ii) development of market research and merchandising programs; (iii) preparation of advertising campaigns; (iv) development of promotional ideas and strategies; (v) preparation of collateral creative materials; (vi) preparation of advertisements; (vii) placing and paying for regional marketing and advertising; (viii) planning, negotiating, contracting and trafficking all media programs; (ix) employing advertising agencies to assist in these activities and securing other technical and professional advice in connection with the above; (x) other public relations; and, (xi) administration of the Cooperative, including legal and accounting services to administer the Cooperative. It will not be a requirement that expenditures made by a Regional Advertising Cooperative be proportionate to your contributions or those of any other franchisee.

Your failure to make any required payments to any Regional Advertising Cooperative will be a material breach of this Agreement which, unless cured as provided in Section 17.03, may result in this Agreement being terminated.

#### **10.05 Listings and Directory Advertising**

You agree to list your Business in all print and/or electronic alphabetic directories ("White Pages") serving your Territory. You are not required now, but we may hereafter require you, to advertise your Business continually in all print and/or electronic classified directories ("Yellow Pages") serving your Territory under headings designated by us in our Brand Standards or otherwise. We may annually furnish you with demographic information and recommendations regarding which Yellow Pages directory(ies) in your Territory you should advertise in for the coming year. You

agree to procure, place and pay for all of your White Pages advertising and any Yellow Pages advertising we may hereafter require. We may specify the size, style and content of your Yellow Pages advertising and may require you to utilize the services of a classified telephone directory advertising or placement agency we designate. In lieu of individualized Yellow Pages advertising for your franchised Business, we may instead require you and all other Businesses situated within a geographic area served by one or more Yellow Pages print or electronic directories (including Businesses owned or franchised by us or our affiliates) collectively to prepare, place and equally share in the cost of combined Yellow Pages advertisements featuring, and treating identically, all such Businesses. Any expenditures you make for White Pages or Yellow Pages advertising will be in addition to, and not included in, those sums which this Agreement requires you to expend for local advertising and promotion.

#### **10.06 Merchandise Materials**

We may, from time to time and in our sole business judgment, produce and provide to you (or have our 3<sup>rd</sup> party designated vendor produce and/or provide to you) certain merchandising materials identifying the System and to support national promotions, such as menu panels, point of purchase advertising materials, System memorabilia and other brand-relevant merchandise (collectively, "System Merchandise"). We or our third-party vendor will invoice you for these materials and you agree to pay for the materials (including but not limited to the cost of shipping and insurance). Upon reasonable request, we will provide you with documentation of the costs of these materials.

### **11. RECORDS, AUDITS, REPORTING REQUIREMENTS AND PRIVACY**

#### **11.01 Financial Statements**

A. No later than 30 days following the end of each calendar quarter during the term of this Agreement, you agree to furnish to us, in a form we approve, a statement of the franchised Business's profit and loss for the quarter and a balance sheet as of the end of the quarter. You must certify these statements to be true and correct.

B. No later than 90 days following the end of each of your fiscal years during the term of this Agreement, you agree to furnish to us, in a form we approve, a statement of the franchised Business's profit and loss for the fiscal year and a balance sheet as of the end of the fiscal year, prepared on a compilation basis and certified to be true and correct by you. We reserve the right to require these annual financial statements to be audited by an independent certified public accountant.

C. The financial statements required above must be prepared in accordance with United States generally accepted accounting principles, including all disclosures required under those principles.

D. No later than 30 days following your filing of the annual tax returns of the franchised Business, you agree to furnish to us exact copies of the tax returns, including federal, state and any local income tax returns, together with a certificate from an independent certified public accountant that all Social Security payments, taxes and fees required to be paid by you to any governmental agency or entity have been paid, and that if you are a business entity, there is no reason to believe that your entity's status has been impaired.

E. You must also provide any other information that we reasonably request from time to time.

F. If you do not timely furnish to us any of the financial statements or tax returns required above in this Article 11 then you agree to pay us a late charge of \$50 per month that each financial statement or tax return is overdue. We may also in such circumstance elect to terminate this Agreement upon giving you notice and an opportunity to cure your default.

G. You authorize us to incorporate in our franchise disclosure document and/or promotional literature information derived from the above financial statements, so long as you or your Business are not individually identified.

#### **11.02 Financial Records and Audit**

A. You agree to record all Gross Revenues received by and all expenditures made by you or your franchised Business. You further agree to keep and maintain adequate records of all such Gross Revenues and expenditures and to maintain accurate books, records and tax returns, including related supporting material (such as cash receipts, and credit and charge records) for your franchised Business. We may specify, in our Brand Standards or otherwise, the forms and media that you will be required to use in recording your franchised Business' Gross Revenues and expenditures. You agree to keep and preserve for seven years (or such longer period as may be required by any law, rule or regulation) the types and classes of electronic and/or other books, records and tax returns that we specify in our Brand Standards or otherwise, along with all business, personnel, financial and operating records, in any media, relating to your franchised Business. If you do not maintain the required records, this will be a material and incurable breach of this Agreement which, unless we waive the breach, will entitle us to terminate this Agreement immediately upon notice to you, with no opportunity to cure.

B. We and/or our agents (who may be outside accountants and auditors), designees and/or employees will have the right, at any time, with or without written notice, during normal business hours, to enter your Restaurant and any other offices at which the Business is administered, in a fashion calculated not to disrupt your Restaurant's and Business's operations, to inspect, audit and make copies of all records including, but not limited to, the following: books of accounts; bank statements; cash or other receipts; checkbooks; documents; records; sales and income tax returns (federal, state, foreign and, if applicable, city); and, your files relating to programs, services and products sold, business transacted and expenditures relating to the Business. These files must include (without limitation) your operating records; bookkeeping and accounting records; customer lists; customer job orders; operating records; operating reports; correspondence; general business records; your copy of the Brand Standards (as amended); invoices; payroll records; journals; ledgers; files; memoranda and other correspondence; contracts; and, all sources and supporting records used to prepare the reports and forms which you are required to submit to us under this Agreement, including the books or records of any business entity which owns the franchised Business. You agree to make any of these materials available for examination at your offices. Alternatively, we may determine to conduct any such audit either at our offices or at the office of a designee of ours and, if we do, you will be required to transmit some or all of the foregoing books and records to us or our designee. In addition to the foregoing, we may require you to scan and electronically transmit to us such volume of the above-referenced records, files and documents as will not unreasonably burden the franchised Business.

C. If an audit reveals that you understated the Gross Revenues on your monthly reports to us by any amount for any month within the period of examination, or for the entire period of examination, when compared to your actual Gross Revenues, then you agree to immediately pay us the additional amount payable as shown by the audit, plus interest calculated as provided in subsection 5.07 (D). If an audit reveals that you understated the Gross Revenues on your monthly reports to us by 2% or more for any month within the period of examination, or for the entire period of examination, then in addition to paying the additional amounts due and interest calculated as provided in subsection 5.07 (D), you agree to immediately pay us the full cost of the audit for the entire period of examination. If an audit reveals an understatement by you of 8% or more for any month within the period of examination, or for the entire period of examination, then in addition to paying the additional amounts due, interest calculated as provided in subsection 5.07 (D) and the full cost of the audit for the entire period of examination, your understatement will be a material and incurable breach of this Agreement which, unless we waive the breach, will entitle us to terminate this Agreement immediately upon notice to you, with no opportunity to cure. If our examination or



an audit establishes a pattern of underreporting, we may require that the subsequent annual financial statements due under Section 11.01(B) be audited by an independent accounting firm consented to by us.

## **12. CONFIDENTIAL INFORMATION AND COVENANTS NOT TO COMPETE**

### **12.01 Restriction on Use of Confidential Information**

You agree to use and permit the use of our Confidential Information (as defined below) solely in connection with the operation of your franchised Restaurant. You further agree that you will never – during the Initial Term or any Successor Term of this Agreement, or any time after this or any Successor Agreement expires or terminates, or your rights under this Agreement or any Successor Agreement are assigned or terminated – divulge or use any of our Confidential Information for the benefit of yourself, your owners (if you are a business entity) any third party (including any person, business entity or enterprise of any type or nature), nor will you directly or indirectly aid any such third party to imitate, duplicate or “reverse engineer” any of our Confidential Information.

“Confidential Information” includes (without limitation) all information, knowledge, trade secrets or know-how utilized or embraced by the System and/or imparted to you by us or any of our affiliates which concerns your or our systems of operation, programs, services, products, customers, practices, materials, books, records, manuals, computer files, databases or software; all elements of the System; all programs, products, services, equipment, technologies, recipes, food and beverage preparation techniques, policies, standards, requirements, criteria and procedures that now or in the future are a part of the System; our Brand Standards (including Supplements to the Brand Standards); all specifications, procedures, systems, techniques and activities employed by us or by you in the offer and sale of programs, products and/or services at or from your franchised Business; all pricing paradigms established by us or you; all of our and/or your sources (or prospective sources) of supply and all information pertaining to same (including wholesale pricing structures, the contents of sourcing agreements and the identity of suppliers); our specifications, and your final plans, for the construction, build out, design, renovation, décor, equipment, signage, furniture, fixtures and trade dress elements of your Restaurant; the identify of, and all information relating to, the Computer and Point of Sale System hardware and software utilized by us and you; all information pertaining to our and/your advertising, marketing, promotion and merchandising campaigns, activities, materials, specifications and procedures; all customer lists, data and records generated and/or otherwise maintained by your franchised Business; our (and, if in the future we permit, your) internet/web protocols, procedures and content (including electronic data, data files, user names and passwords); our training and other instructional programs and materials; all elements of our recommended staffing, staff training and staff certification policies and procedures; all communications between us; additions or improvements to, deletions from and modifications and variations of the components of the System and the other systems and methods of operations which we employ now or in the future; research, development and test programs for products, services and operations; and, all other information, knowledge and know-how which either we or our affiliates, now or in the future, designate as confidential.

Confidential Information will not, however, include information which you can demonstrate came to your attention before we or our affiliates disclosed it to you (unless illegally or improperly procured by you before such disclosure) or which, at or after the time of disclosure, has become a part of the public domain through publication or communication by others, but not through any act of yours.

Except as authorized in this Agreement, you agree never to copy, duplicate, record or otherwise reproduce any of the Confidential Information, in whole or in part; otherwise share it with any other third-party individual or entity; store it in a computer or other electronic format; or, otherwise make it available to any third party by any other means whatsoever. Upon the expiration or termination of this Agreement, you agree to return to us such Confidential Information as we request (including customer lists and records; all training materials and other instructional content; financial and non-

financial books and records; the Brand Standards; and, computer databases, software and manuals) which is then in your possession or, upon our request, destroy all or certain such Confidential Information and certify such destruction to us. It is specifically understood that all customer lists or information adduced by your franchised Business is our property, not yours, and you shall never contend otherwise.

You must only divulge such Confidential Information to your operational personnel as is necessary for each to perform his/her functions and then only on a "need to know" basis. You agree to adopt, implement and take all necessary precautions to that we prescribe from time to time to ensure that these individuals maintain the Confidential Information in confidence and comply with the confidentiality provisions of this Agreement. Your agreement to procure execution of our Confidentiality Agreement (or, where applicable, our Confidentiality/Non-Competition Agreement) from certain of your owners, management and staff is set forth below in Section 12.05.

### **12.02 Covenant Not to Compete**

You agree that (i) at any geographic location whatsoever during the Initial Term and any Successor Term of this Agreement, and (ii) at the Restaurant Location, within your Territory, within ten (10) miles of the perimeter of your Territory or within ten (10) miles of the perimeter, or within, the Territory or market area (as applicable) of any other franchised or company-owned Business in operation or under construction (regardless of how established or operated), for a period of two (2) years immediately following the later of (a) the termination, expiration or assignment (as defined in Section 14.02 below) of this Agreement or any Successor Agreement for any reason or (b) the date on which all persons restricted by this Section 12.02 begin to comply with this Section 12.02, you will not directly or indirectly engage in, aid, assist, serve or participate in any other business or activity (a "Competitive Business") which offers or sells any of the programs, products or services which now or hereafter are authorized for sale under the System (including a seafood restaurant specializing in Cajun style seafood) or component thereof in any manner (whether a retail, wholesale supplier or otherwise); which offers or sells similar or related programs, products or services; which engages in any of the activities which this Agreement contemplates that you will engage in; or, which offers or sells any other program, product, service or component which now or in the future is part of the System, or any confusingly similar program, product or service.

You are prohibited from directly or indirectly engaging in any Competitive Business as a proprietor, partner, investor, shareholder, member, director, manager, officer, employee, principal, agent, advisor, consultant, lessor, sublessor or any similar capacity. In addition, you agree not to divert any business that should be handled by the franchised Business to any other person or entity. It is the intention of these provisions to preclude not only direct competition but also all forms of indirect competition, such as consultation for Competitive Businesses, service as an independent contractor for Competitive Businesses, or any assistance or transmission of information of any kind which would be of any assistance to a Competitive Business. Nothing in this Agreement will prevent you from owning for investment purposes only up to an aggregate of 5% of the capital stock of any Competitive Business you do not control, so long as the Competitive Business is a publicly held corporation whose stock is listed and traded on a national or regional stock exchange.

Further, during the Initial or any Successor Term of this Agreement, and for two (2) years following the termination or expiration of same for any reason, you agree not to: (i) solicit for employment or hire our management personnel, the management personnel of any of our affiliates or the management personnel of any other franchised Business without first obtaining any written permission from us and the employer(s) of the personnel in question, or (ii) sell, assign, lease, sublease or otherwise grant possession of your Restaurant and/or Restaurant Location to any individual or entity which intends to utilize same to conduct a Competitive Business thereat (and it shall be your affirmative duty in connection with any such sale, assignment or other disposition of your Restaurant and/or Restaurant Location to secure a written memorialization from the

purchaser, assignee, lessee, sublessee or permittee that it has no intent to conduct a Competitive Business, as herein defined, following the subject transaction).

It is the intention of these provisions that any person or entity within a legal or beneficial interest in or traceable to, down or through you be bound by the provisions of this covenant, including (without limitation) your spouse, brother, brother-in-law, sister, sister-in-law, parents, parents-in-law, child, son-in-law or daughter-in-law; any direct or indirect beneficiary of yours; and, any other related person or entity, regardless of how many levels or tiers there may be between you and the person or entity.

If you are a business entity, you agree to cause your (as applicable) owners, members, shareholders, directors, officers, partners, general partner, proprietor and or any other beneficial owner to refrain from any of the competitive activities described above in any manner which we reasonably request. In all instances, you shall also cause your Managing Owner and all other key management employees of your Business to refrain of any of the competitive activities described above in any manner which we reasonably request. Your agreement to procure the execution of our Confidentiality/Non-Competition Agreement from certain such individuals is set forth below.

### **12.03 Lesser Included Covenants Enforceable At Law**

If all or any portion of the covenants not to compete set forth in this Article 12 are held unreasonable, void, vague or illegal by any court or agency with competent jurisdiction over the parties and subject matter, the court or agency is hereby empowered to revise and/or construe the covenants to fall within permissible legal limits, and should not by necessity invalidate the entire covenants. You expressly agree to be bound by any lesser covenants subsumed within the terms of this Article 12 as if the resulting covenants were separately stated in and made a part of this Agreement.

### **12.04 Enforcement of Covenants Not To Compete**

The covenants not to compete set forth in this Agreement are fair and reasonable, and will not impose any undue hardship on you, since you have other considerable skills, experience and education which afford you the opportunity to derive income from other endeavors. You agree that such covenants not to compete: (a) are reasonable, including, but not limited to, their term, geographical area, and scope of activity to be restrained; (b) are designed to preclude competition which would be unfair to us; and (c) do not impose a greater restraint than is necessary to protect our goodwill and other legitimate business interests. You acknowledge that any violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to us for which no adequate remedy at law will be available. Accordingly, you consent to the entry of an injunction prohibiting any conduct by you in violation of the terms of the covenants not to compete set forth in this Agreement. You expressly agree that any violation of the covenants not to compete will conclusively be deemed to have been accomplished by and through your unlawful use of our Confidential Information, know-how, methods and procedures. Further, you expressly agree that any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants not to compete in this Agreement. You agree to pay all costs and expenses, including reasonable attorneys' and experts' fees that we incur in connection with the enforcement of the covenants not to compete set forth in this Agreement.

### **12.05 Procurement of Additional Covenants**

You agree to require and obtain the execution of our Confidentiality/Non-Competition Agreement substantially in the form of Exhibit E from all of the following persons:

1. Before employment or any promotion, your Managing Owner and all other managerial personnel; and,

2. If you are a business entity, and as applicable, all of your owners, equity holders, control persons, shareholders, members, partners and general partner(s); all of your officers, directors and managers; and, all persons possessing equivalent positions in any business entity which directly or indirectly owns and/or controls you. You shall procure all such Confidentiality/Non-Competition Agreements no later than ten days following the Effective Date (or, if any individual or entity attains any status identified above after the Effective Date, within ten days following such individual or entity's attaining such status) and shall furnish to us copies of all executed Confidentiality/Non-Competition Agreements within ten (10) days following their execution.

You agree to require and obtain the execution of our Confidentiality Agreement substantially in the form of Exhibit F from all of your non-managerial personnel before employment (or, in the case of any independent contractors, before engagement) or any promotion.

#### **12.06 Your and Our Enforcement of Confidentiality/Non-Competition Agreements**

You agree to vigorously and vigilantly prosecute to the fullest extent permitted by law breaches of any Confidentiality/Non-Competition Agreement executed by any of the individuals referenced in Section 12.05, and you acknowledge our right, to be exercised as we alone determine, to ourselves and enforce the terms of any such executed Confidentiality/Non-Competition Agreement. If the substantive provisions of our Confidentiality/Non-Competition Agreement have been breached by an individual employed, engaged or otherwise serving your franchised Business who has not executed a Confidentiality/Non-Competition Agreement, you must nevertheless vigorously and vigilantly prosecute such conduct to the fullest extent permitted by law.

### **13. CONDITIONS TO AND PROCEDURES GOVERNING SUCCESSOR TERM**

#### **13.01 Conditions to Successor Franchise Agreement**

Your right to enter into a Successor Franchise Agreement will be conditioned on the following:

- A. You must notify us in writing no more than nine months and no less than six months before the expiration of the Initial Term of this Agreement of your intent to enter into a Successor Franchise Agreement;
- B. Throughout the Initial Term and at the time of entering into a Successor Term you (and your affiliates) must have performed all of your obligations and been, according to our business judgment, in compliance with the terms of this Agreement, the Brand Standards and other agreements between you (or your affiliates) and us or our affiliates;
- C. At the time of entering into a Successor Term you (and your affiliates) must be current on the payment of all monetary obligations to us, our affiliates, the lessor or sublessor of your Restaurant and any material third party supplier of yours;
- D. Before the commencement of the applicable Successor Term, you must, at your cost and expense, refurbish, redesign and/or remodel your franchised Restaurant as we reasonably require to meet our then current standards, requirements and specifications (including, without limitation, refurbishing, repairing or replacing all equipment, electronic cash register systems, Computer System, signs, interior and exterior decor items, fixtures, furnishings, supplies and other products and materials required for the operation of the Restaurant and otherwise upgrading the Restaurant as we reasonably require to reflect our then-current System standards and the image of the System);

- E. You or your Managing Owner (as applicable) and any other management and staff we designate must attend and successfully complete any training that we may reasonably require, at your expense;
- F. You must pay us a Successor Franchise Fee of 50% of our then-current Initial Franchise Fee for similar franchised territories, but the Successor Franchise Fee for the first Successor Term will be no greater than the Initial Franchise Fee which you paid under this Agreement;
- G. You must present evidence satisfactory to us that you will be able to renew the lease for your Restaurant on terms acceptable both to you and us, or lease a substitute Restaurant Location acceptable to and approved by us, without any interruption of business in compliance with the terms of Section 6.02; and,
- H. You (and if you are a business entity, your owners) must have signed a General Release in the form of Exhibit J. This General Release will not release us from any future claims related to any Successor Franchise Agreement but will release us, our affiliates, and our respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees, past and present, in their corporate and individual capacities from any and all claims you may have related to this Agreement or under federal, state or local laws, rules, regulations or orders.

If you have satisfied these conditions, then we will provide you with a Successor Franchise Agreement in the manner specified in the following section.

### **13.02 Successor Franchise Procedures**

You must exercise your conditional right to a Successor Franchise Agreement as stated in this Agreement in the following manner:

- A. You must notify us in writing no more than nine months and no less than six months before the expiration of the Initial Term of this Agreement of your desire to enter into a Successor Franchise Agreement.
- B. Within thirty days after our receipt of your notice, we will deliver to you a copy of our then-current franchise disclosure document (if we are then legally required to do so) and a copy of our then-current franchise agreement (the "Successor Franchise Agreement") in a form ready to be executed by you (together, the "Successor Franchise Package"). You must acknowledge receipt of the Successor Franchise Package in any fashion that we reasonably specify.
- C. No sooner than fifteen days, but no later than twenty-five days, after you receive our Successor Franchise Package, you must execute the Successor Franchise Agreement and return it to us.
- D. If you have exercised your conditional right to a Successor Franchise Agreement as described above and have complied with all of the procedures set forth herein, and on the date of expiration of the Initial Term you satisfy all of the conditions to qualify for a Successor Term identified in Section 13.01 of this Agreement, then we will execute the Successor Franchise Agreement previously executed by you and will, deliver one fully executed copy of your Successor Franchise Agreement to you.
- E. If you do not perform any of the acts or deliver any of the writing required herein in a timely fashion, this will be considered your conclusive election not to exercise your right to enter into a Successor Franchise Agreement and such right will then automatically lapse and expire without further notice or action by us. If this occurs, this Agreement will terminate at the end of the Initial Term, except for the post-

termination and post-expiration provisions of this Agreement which by their nature are intended to survive.

**F. Time is of the essence with regard to this Section 13.02.**

**13.03 Notice of Expiration**

If applicable law requires us to give you notice of expiration of this Agreement at a specified time prior to such expiration, and we have not done so, then the term of this Agreement will be extended to the date following which our notice has been given and the legally required notice period has expired.

**14. ASSIGNMENT**

**14.01 Assignment By Us**

We have the right to assign all of our rights and privileges under this Agreement to any person or business entity. If we assign this Agreement, you expressly agree that immediately upon and following such assignment, we will no longer have any obligation - - directly, indirectly or contingently - - to perform or fulfill the duties or obligations imposed upon "Franchisor" hereunder. Moreover, to the extent that we have arranged for one or more of our affiliates to perform certain activities on our behalf and at our direction, as contemplated by this Agreement, our affiliates will similarly have no obligation, contingent or otherwise, to continue to perform such activities following any such assignment of this Agreement by us. Instead, all such duties and obligations will be performed solely by our assignee.

You agree and affirm that we may undertake a refinancing, recapitalization, securitization, leveraged buyout or other economic or financial restructuring.

You also agree that we may purchase, merge, acquire, be acquired by or affiliate with an existing competitive or non-competitive franchise or non-franchise network, chain or any other business regardless of the location of that other business' facilities, and that following such activity we may operate, franchise or license those other businesses and/or facilities under any names or marks, including the Proprietary Marks, regardless of the location of these businesses and/or facilities, which may be within the Territory or immediately proximate to the Territory.

We have the right to delegate the performance of any portion or all of our obligations under this Agreement to third party designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations. If we do so, such third-party designees will be obligated to perform the delegated functions for you in compliance with this Section 14.01.

**14.02 Assignment By You – General**

You understand and acknowledge that we have entered into this Agreement in reliance on and in consideration of your singular personal skills and qualifications (or, if you are a business entity, the personal skill and qualifications of your owners and managers), and the trust and confidence that we repose in you (or your owners and managers, if you are a business entity), and that this Agreement and the franchise conveyed hereunder is therefore personal to you and is your personal obligation. Accordingly, except as provided below, neither all nor any part of your interest in this Agreement; the franchise conveyed hereby; your rights, privileges or obligations under this Agreement; the franchised Business; your Restaurant; the ownership of your franchised Business; your Lease or Sublease (as applicable); or, your rights to use the System, Proprietary Marks, Confidential Information and/or Brand Standards may in whole or in part be assigned, sold, transferred, pledged, encumbered, shared, sublicensed or divided, voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, in any fashion without first obtaining our written consent in accordance with this Article 14 (which consent shall not be unreasonably withheld) and without first complying with our right of first refusal pursuant to Section 14.06 below.

Any actual or attempted assignment, transfer or sale of this Agreement, the franchise conveyed hereunder, the franchised Business, your franchised Restaurant, any ownership interest in you (if you are a business entity), any of the other interests, rights or privileges identified in the preceding paragraph, or any interest in any of these, in violation of the terms of this Article 14, will be null, void and of no effect, and will be a material and incurable breach of this Agreement which, unless we waive to the breach, will entitle us to terminate this Agreement immediately..

If you are a business entity, then for the purposes of this Agreement, "assignment" includes (without limitation) the transfer, issuance or redemption in the aggregate of more than 25% of the voting power or (as applicable) the capital stock, partnership interest, membership interest or any other species of ownership interest in you (or any lesser percentage sufficient to control your business entity or the franchised Business, as the term "control" is most broadly defined by any United States or state securities and/or corporate and/or partnership law) to any person or entity who is not (i) already a (as applicable) shareholder, member, partner or other category of owner of your franchised Business; (ii) the spouse of such individual; (iii) a trust controlled by such individual; or, (iv) a business entity owned, controlled and composed solely of such individuals in the same proportionate ownership interest as each such individual had in you before the assignment, as provided below. You agree to immediately report to us all such transfers or assignments of ownership in your business entity, even if less than 25%, in accordance with the procedure set forth in our Brand Standards or otherwise.

#### **14.03 Assignment By You – To A Business Entity You Form**

If you are an individual and would like to transfer your interest in this Agreement to a business entity you form solely for the convenience of business entity ownership, you must obtain our prior written consent. We will not unreasonably withhold consent if all of the following conditions are met:

- A. The business entity must be newly organized and duly formed, and its activities must be confined exclusively to serving as "Franchisee" under this Agreement (unless we otherwise consent in writing).
- B. You must be the sole owner of all ownership interests in the business entity and its principal officer or manager (as applicable) (or the sole owner of 75% or more of all ownership interests in the business entity, with the remaining owners being your spouse and/or adult children).
- C. If more than two individuals serve as "Franchisee" hereunder, each individual must have the same proportionate ownership interest in the business entity as he or she had in the franchised Business before the transfer.
- D. You and the business entity must execute an agreement with us under which you and the business entity agree to be jointly and severally liable for all duties, responsibilities and obligations to us under this Agreement and expressly agree to be bound by all of the terms, conditions and covenants of this Agreement. Each then-current and future owner of any interest in the business entity must agree in writing to personally guarantee the performance by the business entity of your obligations under this Agreement, and to be individually bound by all of the terms and conditions of this Agreement and any other agreements between you and us, substantially in the form of Exhibit H to this Agreement.
- E. Each present and future owner of any interest in the business entity must execute our Confidentiality/Non-Competition Agreement substantially in the form of Exhibit E to this Agreement.
- F. The name of the business entity formed by you may not include the Proprietary Mark "Crafty Crab", any variant thereof or any word confusingly similar thereto.

- G. Your business entity must comply in all respects with the requirements and prohibitions set forth in Section 8.17 of this Agreement (“Business Entity Requirements and Records”).

Any transfer pursuant to this Section 14.03 will not be subject to our right of first refusal below and will not require you to pay to us any transfer fee.

#### **14.04 Assignment By You – Sale To Third Party**

If we do not elect to exercise our right of first refusal (as provided in Section 14.06 below), then we will not unreasonably withhold consent to your sale, transfer or assignment of any interest in you (if you are a business entity), the franchise conveyed by this Agreement, your Business, your Restaurant, your Lease or Sublease (as applicable) and your right to use the System, or any interest in any of these, to a third party. You agree that it will not be unreasonable for us to impose, among other requirements, the following conditions to granting consent to your proposed sale, assignment or transfer of any of the foregoing:

- A. That the proposed assignee (meaning all individuals and entities which, after the proposed sale, transfer or assignment, will be franchisees under this Agreement or under any successor agreement) applies to us for acceptance as a franchisee and demonstrates to our satisfaction that the proposed assignee (and, if it is a business entity, each and every owner and guarantor of the proposed assignee) possesses the skills, qualifications, financial condition, background and history, reputation, economic resources, education, managerial and business experience, moral character, credit rating and ability to assume your duties and obligations under this Agreement and any successor and related agreement. You must pay the costs of any such investigation conducted by us.
- B. That, upon our request, the proposed assignee (or, if the proposed assignee is a business entity, each and every owner or guarantor of the proposed assignee) presents itself for a personal interview at our corporate office, or any other location we designate, at the date and time we reasonably request, without expense to us. We may determine to meet with the proposed assignee at his, her or its principal place of business or residence and, if we do so, you will reimburse us for all travel, lodging, meals and personal expenses related to such meeting.
- C. That the proposed assignee has the organizational, managerial and financial structure, financial resources and capital required to conduct the franchised Business in accordance with such standards and the satisfaction of such conditions as we indicate from time to time, taking into account such factors (among others) as the number of Restaurants and market areas involved and their geographic proximity.
- D. That the proposed assignee comply with our ownership requirements relative to the control of the proposed assignee and the franchised Business.
- E. That the proposed assignee (and, if the proposed assignee is a business entity, each and every owner or guarantor of the proposed assignee) comply with our restrictions relative to involvement in any business which competes with the franchised Business.
- F. That the proposed assignee; his, her or its proposed Managing Owners; and, such other post-transaction employees of the franchised Business attend and successfully complete our Initial Training Program before the assignment, and any other training that we reasonably require, at the assignee’s expense (which will include our then-current training fee and the cost of the trainees’ transportation, lodging, food and other living expenses). Each individual undergoing such training must first execute the Confidentiality/Non-Competition Agreement substantially in the form of Exhibit F. We



may waive these requirements if the proposed assignee is one of our existing franchisees in good standing.

- G. That, if required, the lessor or sublessor of your Restaurant Location consents in writing to the assignment to the proposed assignee.
- H. That, as of the date of the assignment, you have cured any existing defaults under any provisions of this Agreement or any other agreement or arrangement with us or our affiliates, and have fully satisfied in all respects all of your accrued and/or then-current monetary and other obligations to us and our affiliates (under this Agreement or otherwise), all sources of financing of your franchised Business and all material sources of supply of your franchised Business.
- I. That the assignee execute a new Franchise Agreement with us, and all other agreements required of new franchisees, in the form and on the terms and conditions we then offer to new franchisees, which terms and conditions may vary significantly from this Agreement. The assignee will not be obligated to pay another Initial Franchise Fee under the new Agreement but will be required to pay our then-current fees for furnishing our Initial Training Program and any other services we are required to furnish under the new Agreement. The term of the new Franchise Agreement will be the balance of the Term of this Agreement. The execution of the new Franchise Agreement will terminate this Agreement, except for your guarantees; any of your obligations to us or our affiliates which remain outstanding and/or unsatisfied; and, the post-termination and post-expiration provisions of this Agreement which, by their nature, are intended to survive.
- J. That the assignee has acquired, or will be able to immediately acquire following the execution of the new Franchise Agreement, all permits, licenses and other authorizations required by any federal, state or local, rule or regulation to operate the franchised Business. If applicable law enables you to transfer or assign any of the aforementioned permits, licenses and/or authorizations which you possess to the assignee, then you agree to do so immediately following our execution of the assignee's new Franchise Agreement.
- K. Notwithstanding the foregoing, you understand and agree that you will remain fully liable and responsible for all of your obligations to us and our affiliates under this Agreement which arose in connection with the operation of your franchised Business prior to the effective date of the assignee's new Franchise Agreement (specifically including your obligation to indemnify us and the other Franchisor Parties identified in Section 8.10) and you agree to execute any and all documents we reasonably request to further evidence such liability.
- L. That if the proposed assignee is a business entity, we have the absolute right to require any owners or other parties having an interest in the proposed assignee or the Restaurant Location to execute the Guarantee substantially in the form of Exhibit H.
- M. That the Total Sales Price of your sale, assignment or transfer is not so excessive, in our business judgment, that it jeopardizes the continued economic viability and future operations of the franchised Business and/or the assignee. "Total Sales Price" means all consideration of every kind paid or payable to you or any other person or entity in connection with, arising out of or relating to the assignment or transfer of the franchise, the Franchise Agreement or the franchised Business, whether money, property or other thing or service of value including consideration received for all or a part of your Business; your rights under this Agreement; contracts; goodwill; restrictive covenants; consulting arrangements; your furniture, fixtures, equipment and trade dress elements;

accounts receivable; or, any other fees or arrangements or other form of consideration, whether the consideration is received in the present or promised to be given to you or any other person in the future (including the highest possible value of any contingent future consideration).

- N. That if you or your owners finance any part of the purchase price, you and/or your owners agree in writing that all of the transferee's obligations under promissory notes, loan agreements, or security interests reserved in the Restaurant are subordinate to the assignee's obligation to pay Continuing Royalties, System Advertising Contributions, and all other amounts due to us, our affiliates, and third party vendors and otherwise to comply with this Agreement.
- O. That you and, if you are a business entity, each of your owners and guarantors, and the assignee (and if the assignee is a business entity, each of each owners and guarantors) execute a general release substantially in the form of Exhibit K of any and all claims, demands and causes of action which you, such owners or the assignee and its owners may or might have against us and/or any of the Franchisor Parties through the date of execution of the assignee's new Franchise Agreement.
- P. That if the assignee is a business entity, all of the requirements of its new Franchise Agreement concerning business entities must be complied with before we will execute the new Franchise Agreement and, as applicable, will continue to be complied with thereafter.
- Q. That you furnish us with a copy of any proposed contract of assignment (and any related agreements) and, promptly following execution, furnish to us a copy of the executed contract of assignment (and any related agreements).
- R. That you have corrected any existing deficiencies of the Restaurant of which we have notified you.
- S. That upon our request, either you and/or the proposed assignee, at your/its own expense, renovate, remodel and upgrade your Restaurant to conform to our then-current standards and specifications for System Restaurants in the United States and complete such modifications, at our election, either prior to the contemplated assignment or such later time reasonably specified by us.
- T. That you pay us a transfer fee of \$15,000 or such greater amount as may be necessary to reimburse us for our legal, accounting and other expenses incurred in connection with your assignment.
- U. That neither the proposed assignee nor any of its owners or affiliates directly or indirectly owns, operates or has any interest in, or has a material business relationship with, a Competitive Business (as denominated in Section 12.02 above) of us or any of our affiliates.

You expressly agree that your obligations to indemnify and hold harmless us and the other Franchisor Parties under Section 8.10 of this Agreement extends to and embraces liabilities arising from or relating to, directly or indirectly, any statements, representations or warranties that you may give to or receive from any proposed assignee and/or any claim that you (and, if you are a business entity, your owners, Managing Owner, management or employees) or your assignee engaged in fraud, deceit, violation of franchise laws or other illegality in connection with the negotiation or consummation of the assignment. As with all other indemnification obligations set forth in this Agreement, this specific indemnification obligation will survive the termination or expiration of this Agreement.

You further understand and agree that our approval of any assignment transaction will not constitute our waiver of any claims against you by us or our affiliates, under this Agreement or otherwise.

You further understand and agree that our consent to an assignment of this Agreement and the Restaurant, or any interest in you or your owners, is not a representation of the fairness of the terms of any contract between you and the assignee, a guarantee of the Restaurant's or assignee's prospects of success, or a waiver of any claims we have against you (or your owners) or of our right to demand the assignee's full compliance with this Agreement.

The provisions of Section 14.02 through Section 14.04 inclusive pertain to any lease, management agreement or other agreement which would have the effect of transferring any material asset or control of all or any part of the operations of your franchised Business to any third party. Any such agreement must first be approved by us in writing. We will not unreasonably withhold our approval, but our approval may be denied if such agreement is on terms materially different from those which would result from arms-length negotiations or if we determine that the fees payable under such agreement are excessive. Any such agreement and any party thereto who, as a result of the agreement, may directly or indirectly be involved in the ownership of the assets or operations of the franchised Business must meet such standards and conditions as we have put in place at the time you request our consent.

#### **14.05 Assignment By You – Transfer Upon Death or Disability**

If you are a business entity, then upon the death or disability of one or more of your owners (but not the last surviving owner of your business entity, which is addressed in the following paragraph), then the estate, heirs, legatees, guardians or representatives of such owner may freely sell, assign or transfer the deceased's or disabled's interest in this Agreement and/or its interest in the franchised Business to any of the following: (i) the spouse of such individual; (ii) any individual or entity which, at the time of the subject death or disability, is already a (as applicable) shareholder, member, partner or other category of owner of your franchised Business; or, (iii) the franchised Business itself. Any other sale, transfer or assignment of the deceased's or disabled's interest in you or your franchised Business shall be subject to all of the provisions of Section 14.04 of this Agreement ("Assignment By You - - Sale To A Third Party"). You agree to immediately report to us all such transfers or assignments of ownership in your business entity in accordance with the procedure set forth in our Brand Standards or otherwise.

Upon your death or disability (if you are an individual), or the death or disability of your last surviving owner (if you are a business entity), that person's rights will pass to his or her estate, heirs, legatees, guardians or representatives, as appropriate (collectively, the "Estate").

The Estate shall have a reasonable period of time (not to exceed six months) following the death or disability to sell (as applicable) Franchisee or the franchised Business in accordance with the provisions of Section 14.04 and subject to our right of first refusal under Section 14.06. Until such sale, transfer or assignment is consummated, the Estate may continue the operation of your franchised Business but only if, at all times, one or more approved Managing Owner, as necessary, of your franchised Business is at all times supervising the operation of your Business and, further, only if all other terms and provisions of this Agreement are complied with. Failure to comply with one of the above alternatives will be a material breach of this Agreement which, unless cured by the Estate, will result in this Agreement being terminated immediately upon notice.

If at any time following your death or disability (if you are an individual), or the death or disability of your last surviving owner (if you are a business entity), the Estate fails to have one or more approved Managing Owner, as necessary, supervising the operation of your franchised Business on a full time basis, then until the Estate retains one or more approved Managing Owner, as necessary, we may assume (or appoint a third party to assume) full control of and operate your franchised Business, but will have no obligation to do so. If we do so, then during this period, we

will deduct our (or the third party's) expenses for travel, lodging, meals and all other expenses and fees from your franchised Business's Gross Revenues and also pay ourselves (or the third party) a management fee equal to the greater of: (i) two times the salary paid to the individual(s) assigned by us to operate the Business, or (ii) 10% of the Business's monthly Gross Revenues. This management fee will be in addition to the Continuing Royalties due us under this Agreement. We will then remit any remaining funds to the Estate. The Estate and any Guarantor of this Agreement must pay us any deficiency in sums due to us under this Agreement within ten days of our notifying the Estate and such Guarantor of the deficiency. We will not be obligated to operate your Business. If we do so (or appoint a third party to do so), neither we nor the third party will be responsible for any operational losses of the Business, nor will we or the third party be obligated to continue operating the Business. We (or such third party) shall have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, or obligations the Restaurant incurs, or to any of your creditors for any products, other assets, or services the Restaurant purchases, while we (or a third party) manage it.

"Disability" means any physical, emotional or mental injury, illness or incapacity which prevents or will prevent a person from performing the obligations set forth in this Agreement for at least ninety consecutive days. Disability will be determined either after this ninety-day period or, if we elect, at an earlier time following an examination of the person by a licensed practicing physician selected and paid for by us. If the person refuses to submit to an examination, then the person will automatically be considered permanently disabled as of the date of the refusal.

#### **14.06 Right of First Refusal**

Your rights to assign, transfer, redeem or sell any interest in this Agreement or the franchised Business, voluntarily or by operation of law (as provided above), will be subject to our right of first refusal (except in those instances specified above where no such right will pertain), which right of first refusal we may freely assign to any individual or entity. We will exercise our right of first refusal in the following manner.

- A. You must deliver to us a true and complete copy of the proposed assignee's offer (the "notice") including all its terms and furnish to us any additional information concerning the proposed transaction and the proposed assignee that we reasonably request. Your submission of such information must be accompanied by the seller's representation and warranty that all of the information submitted to us is true, accurate, complete and correct in all respects and, if the seller is a business entity, you must also furnish us with an appropriate resolution of the business entity's governing body authorizing the proposed sale.
- B. We shall have sixty (60) days following our receipt of the notice (or, if we request additional information, sixty (60) days following our receipt of the additional information) to conduct due diligence into the transaction. Our due diligence will be of the type, nature and scope customary for transactions similar to the proposed transaction at issue and, in connection with our due diligence, you agree to make available to us immediately upon demand all information, data, books, or written or electronic records which we may reasonably request and, as well, shall make available to us for inquiry each owner and Guarantor of your franchised Business, the Managing Owner of your Business and any other personnel we specify. As well, all of the requirements of your proposed assignee specified above in Section 14.04 of this Agreement must be complied with.
- C. Within sixty (60) days after our receipt of your notice (or, if we request additional information, within sixty (60) days after receipt of the additional information), we may either consent or withhold our consent to the assignment or redemption, in accordance with this Article, or at our option accept the assignment to ourselves or to our designee, on the terms and conditions specified in your notice. If we or our designee accept the

assignment, we will be entitled to all of the customary representations and warranties given by the seller of assets of a business, including (without limitation) representations and warranties as to ownership, condition of and title to assets, liens and encumbrances on the assets, validity of contracts and agreements, and your contingent and other liabilities affecting the assets. Any dispute regarding the value of all or any part of the assets or rights proposed to be assigned and/or the consideration proposed to be paid or payable to you or any third party in connection with the proposed assignment shall be determined by a reputable independent appraiser we select, and you and we equally share the expense of, whose determination will be final and binding on us. You expressly understand and agree that nothing in the offer which is the subject of your notice to us may contain any provision or condition the effect of which would be to increase the cost to us, or otherwise change the economic or other terms imposed on us, as a result of our substitution for the offeror, or as a consequence of compliance with the procedures set forth herein regarding our right of first refusal.

- D. If you are a business entity and a partial transfer is proposed through the assignment or redemption of more than 25% of your entity's ownership interests other than to any of your entity's co-owners, then we or our designee will have the option to purchase not only the interests being transferred but also all remaining interests, so that our resulting ownership will be 100% of your business entity. The price of these remaining interests will be proportionate to the price of the interests initially being offered.
- E. Our credit will be considered at least equal to the credit of any proposed purchaser. We may substitute cash for the fair market value of any other form of payment proposed in the offer.
- F. If we give notice of our exercise of our right of first refusal, closing on our purchase must occur within the later of: (i) sixty (60) days following your receipt of our notice to you; (ii) the closing period (if any) specified in the subject offer; or, (iii) such longer period as may be necessary to conduct the due diligence provided for above.
- G. If we give notice of our exercise of our right of first refusal, you agree to take all action necessary to assign your Lease with the lessor of your Restaurant Location to us.
- H. If we elect not to exercise our right of first refusal and we consent to the proposed assignment or redemption, then you will, subject to the provisions of this Article, be free to assign this Agreement or the franchised Business to your proposed assignee on the terms and conditions specified in the notice if you satisfy the conditions of Section 14.04 for our approval of an assignment and if you close the transaction within sixty days (or such further time as may be stipulated by law, rule or regulation). If, however, the terms specified in your notice are changed, the changed terms will be considered a new offer, and we will have an identical right of first refusal with respect to this new offer. Further, if you fail to close the assignment transaction within sixty days (or such further period of time as may be stipulated by applicable law, rule or regulation), then our right of first refusal hereunder shall be restored and we may elect to exercise same within thirty days thereafter.
- I. Our election not to exercise our right of first refusal with respect to any offer will not affect our right of first refusal with respect to any later or modified offer. If we do not exercise our right of first refusal, this will not constitute approval of the proposed transferee, assignee, redemption or the transaction itself. You and any proposed assignee must comply with all the criteria and procedures for assignment of the franchise, the Franchise Agreement and/or the franchised Business specified in this Article 14.

If we exercise our right of first refusal, you and your selling owner(s) agree that, for two (2) years beginning on the closing date, you and they will be bound by the non-competition covenant contained in Section 12.02 above. We have the unrestricted right to assign this right of first refusal to a third party, who then will have the rights described in this Section.

#### **14.07 Security Interest**

Without our prior written consent (which will not be unreasonably withheld, delayed or denied), you may not pledge, encumber, mortgage, hypothecate or otherwise grant any third party a security interest in this Agreement, the franchised Business, your Restaurant, any ownership interests in you (if you are a business entity), any ownership interests in any business entity which directly or indirectly controls you, your Lease or Sublease (as applicable) or any of the tangible assets material to the operation of your franchised Business (including, without limitation, the premises of your franchised Business and your Restaurant Location). We may require your compliance with any policy statement which we adopt and announce regarding such security interests. We reserve the right to review and approve the terms of any security agreement or other document granting a security interest in any of the assets or interests described in this Section 14.07, which approval shall be in writing.

#### **14.08 Your Offer and Sale of Securities**

If you are a business entity and intend to offer and sell securities of any type or nature or other ownership interests in you, the franchised Business, any owner and/or any Guarantor, then you must give us written notice at least sixty days prior to the date of commencement of any such offering. Any such offering shall be subject to our right of first refusal, as set forth above in Section 14.06, and shall comply with any written policies adopted and announced by us from time to time.

You must submit to us for our review and consent, at least thirty days prior to your filing them with any government agency, any and all materials required by federal and/or state law for any direct or indirect offer or sale of securities or other ownership interests. If your offering of securities or other ownership interests will be exempt from federal and/or state filing requirements, then any materials you will use in any such exempt offering shall be submitted to us for our review and consent at least thirty days prior to their use. Our review of your offering materials and information included therein will be conducted solely for our benefit and not for the benefit or protection of any other person. All of your offering materials and documents must include legends and statements as we may specify, including legends and statements which disclaim our liability for, or involvement in, your offer and sale of securities or other ownership interests, and must advise all offerees that our review of your offering materials must not be deemed in any fashion our approval, endorsement, acceptance or adoption of any representation, warranty, covenant or projection contained in those materials.

Your offer and sale of securities and other ownership interests is specifically embraced by your indemnification of us and the other Franchisor Parties identified in Section 8.10 of this Agreement. Any other participant in your offer of securities or other ownership interests must agree to fully indemnify us in a parallel fashion in that form which we prescribe.

You must pay us a non-refundable fee of \$10,000 or such greater amount as may be necessary to reimburse us for our reasonable costs and expenses in reviewing your proposed offering, including, without limitation, legal and accounting fees.

#### **14.09 Bankruptcy**

If you, your franchised Business or any owner of you and/or your franchised Business is the subject of any voluntary or involuntary proceeding under the U.S. Bankruptcy Code, as amended, and if this Agreement does not terminate as provided in Section 17.01 below, but, instead, is to be assumed by, or assigned to, a third party individual or entity which has made a *bona fide* offer to accept an assignment of this Agreement as contemplated by the U.S. Bankruptcy Code, then you must notify us of any such proposed assignment or assumption within five (5) days after your

receipt of such proposed assignee's offer to accept assignment or to assume your rights and obligations under this Agreement. Such notice must be given to us, in any event, no later than ten 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.

The notice required above must contain the following: (i) the name and address of the proposed assignee; (ii) all of the terms and conditions of the proposed assignment and assumption; and, (iii) adequate assurance to be provided to us to assure the proposed assignee's future performance (as defined below) under this Agreement, including (without limitation) the assurance referred to in Section 365 of the U.S. Bankruptcy Code and the satisfaction of the preconditions to assignment set forth in Section 14.04 of this Agreement.

We will then have the prior right and option, to be exercised by notice given at any time prior to the effective date of the proposed assignment and assumption, to accept an assignment of this Agreement to ourselves, our affiliate or another franchisee, 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 or other expenses which may be saved by you as a result of our exercise of the rights and options granted to us herein. Under no circumstance shall we be liable for the payment of any brokerage commissions or other expenses as a result of our exercise of our rights and options hereunder unless we otherwise agree in writing.

"Adequate assurance of future performance", as used above, shall mean that we shall have been furnished with specific evidence that any proposed assignee of this Agreement can and will comply with all operational and other performance requirements, and with all conditions, obligations, duties, covenants and requirements of a franchisee under: (i) this Agreement; (ii) the standard form Franchise Agreement then being offered to our franchisees; (iii) such other ancillary agreements as we may require; and (iv) any of our policies describing our franchisees' duties, obligations, conditions, covenants or performance requirements. You understand and agree that adequate assurance of future performance shall mean that any proposed assignee must satisfy the conditions set forth in Section 14.04 above.

#### **14.10 No Waiver of our Rights**

Our consent to any sale, transfer or assignment under this Article 14 shall not constitute a waiver of any claims we may have against you, your franchised Business, any of your owners and/or any Guarantor, nor shall our consent be deemed a waiver of our right to require exact compliance with any of the terms of this Agreement by any assignee.

## **15. PROPRIETARY MARKS**

### **15.01 Our Ownership of Proprietary Marks**

You agree that the Proprietary Marks are our (or our affiliates') exclusive property. You assert and will in the future assert no claim to any goodwill, reputation or ownership of the Proprietary Marks by virtue of your licensed use of the Proprietary Marks, or for any other reason. You agree that you will not do or permit any act or thing to be done in derogation of any of our rights or the rights of our affiliates in connection with the Proprietary Marks, either during or after the term of this Agreement. You agree not to apply for or obtain any trademark or service mark registration of any of the Proprietary Marks or any confusingly similar marks in your own name. You agree to use the Proprietary Marks only for the uses and in the manner licensed under this Agreement and as provided in this Agreement. If you are a business entity, then you agree that under no circumstance will you incorporate any of the Proprietary Marks, any portion thereof or any name or mark derivative of or similar to the Proprietary Marks, in your business entity's name. You may never use the Proprietary Marks in connection with any other business except for the franchised Business. You agree that you will not, during or after the Term of this Agreement, impair the goodwill associated with the Proprietary Marks or in any way dispute or impugn the validity of the Proprietary Marks, our rights (or those of our affiliates) to the Proprietary Marks, or the rights of us,

our affiliates, other franchisees of ours or other third parties to whom we may have licensed the Proprietary Marks.

You acknowledge that our rights in the Proprietary Marks are not limited to the specific presentation or configuration of any of them, but rather extend to all combinations and displays of the words and/or design elements thereof and extend to all translations of them in any language. Further, you acknowledge and agree that our and our affiliates' rights in and to the Proprietary Marks are not limited to such rights as may be conferred by registrations thereof or by applications for registrations but, instead, include extensive common law and other rights in the Proprietary Marks vested in us as a result of their use by us, our affiliates and other authorized parties.

#### **15.02 Limitations on Your License to Use the Proprietary Marks**

Nothing in this Agreement will give you any right, title or interest in or to any of our (or our affiliates') Proprietary Marks except as a mere privilege and license, during the term of this Agreement, to display and use the Proprietary Marks according to the limitations set forth in this Agreement, in our Brand Standards or in other written notices to you. You understand and agree that your limited license to use the Proprietary Marks granted by this Agreement applies only to the Proprietary Marks shown on Exhibit B (if we do not subsequently designate them as being withdrawn from use), together with those which we may later designate in the Brand Standards or otherwise in writing. In all instances your use of the Proprietary Marks must comply with our directions, limitations, specifications and authorized prescribed uses. You expressly understand and agree that you are bound not to represent in any manner that you have acquired, and you will not assert any claim to, any ownership, goodwill, reputation or equitable rights in any of our Proprietary Marks by virtue of the limited license granted under this Agreement, by virtue of your use of any of the Proprietary Marks or otherwise. All of your uses of the Proprietary Marks, whether as a trademark, service mark, trade name or trade style, will inure to our benefit. Following the expiration or termination of this Agreement, no monetary amount will be attributable to any goodwill associated with your use of the Proprietary Marks or operation of the franchised Business or your Restaurant, including any "local goodwill", which, you expressly agree, exclusively vests in us.

#### **15.03 Use and Display of Proprietary Marks**

A. You must not use, and must not permit or cause another to use, the Proprietary Marks except in the manner and to the extent specifically licensed to you under this Agreement. You agree that each use you make of any Proprietary Mark will accurately portray the Mark and that the Mark will not be used or portrayed in a manner which jeopardizes the goodwill associated with the Mark or the System. You agree to use the Proprietary Marks in full compliance with rules we prescribe from time to time in our Brand Standards or otherwise. You are prohibited (except as expressly provided in this Agreement) from using any Proprietary Mark with any prefix, suffix, or other modifying words, terms, designs or symbols (other than logos licensed by us to you). You may not use any Proprietary Mark in connection with the sale of any unauthorized service, product or program or in any other manner not explicitly authorized in writing by us. You may use the Proprietary Marks only for the operation of the franchised Business or in permitted advertising for the franchised Business. Your right to use the Proprietary Marks is limited to the uses authorized under this Agreement. Any unauthorized use of the Proprietary Marks by you will constitute an infringement of our rights and a material and incurable breach of this Agreement which, unless we waive the breach, will entitle us to terminate this Agreement immediately upon notice to you, with no opportunity to cure.

B. You may not use the Proprietary Marks in any way which will incur any obligation or indebtedness on our behalf. You agree to comply with this Agreement's and our Brand Standards' instructions in filing and maintaining all requisite trade name or fictitious name registrations, and in executing any documents considered necessary by us or our counsel to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability.



C. You agree to affix our Proprietary Marks on the facilities of your franchised Business, including your Restaurant, your franchised Business's point-of-sale materials, signs, stationery, advertising, sales, marketing and promotional materials and other objects in the size, color, lettering style and fashion and at the places which we designate in our Brand Standards or otherwise. You also agree to display the Proprietary Marks and relevant trademark and copyright notices pursuant to the requirements set forth in the Brand Standards. No trademarks, logotypes, names, symbols or service marks other than the Proprietary Marks may be used by or in connection with your franchised Business in any fashion whatsoever except as we may expressly provide in our Brand Standards or as we may approve in writing.

#### **15.04 Required Means of Identification; Non-Use of Trade Name**

You must operate and advertise your franchised business under the assumed business name "Crafty Crab," without prefix or suffix. You agree, at your expense, to perform all filings and procure all required or necessary government approvals or registrations required to do business under that assumed business name; to comply with any instructions we give you regarding the filing or maintenance of any trade name or fictitious business name registrations; to execute any documents we or our counsel deem necessary to protect the Proprietary Marks to maintain their continued validity and enforceability; and, upon request, to furnish to us copies of all such filings, approvals and registrations. You must never identify yourself as an agent of ours. You must conspicuously identify yourself, your franchised Business and your Restaurant as an independently owned and operated franchised business in all dealings with your customers, contractors, suppliers, public officials and members of the public, and in all advertising, promotion and marketing related to your Business. You agree to place this notice of independent ownership in your Restaurant and any other facilities of your franchised Business, readily visible to employees and members of the public who enter, and on printed materials, business cards, stationery, marketing and advertising materials, signs and other written or electronic modes in the form, size and manner we specify in our Brand Standards or otherwise and in such fashion as we require from time to time.

If you are a business entity, you may not use our Proprietary Marks, any portion or segment of our Proprietary Marks or any confusingly similar words or symbols in your business entity's name. In particular, you may not use the words "Crafty Crab Franchising LLC," "Crafty Crab," or any segment or variant thereof as part of your business entity's name.

You shall require all of your advertising, promotional materials, signs, decorations, paper goods (including disposable food containers, napkins, menus, and all forms and stationery used in or by your franchised Business), and all other items we may designate, to feature and bear the Proprietary Marks in the form, color, location and manner we prescribe.

#### **15.05 Our Defense of Proprietary Marks and Copyrights**

If you receive notice, are informed of or learn of any claim, suit or demand against you on account of any alleged infringement, unfair competition, or similar matter relating to your use of the Proprietary Marks or any of our copyrights (each, a "claim"), you agree to promptly notify us. We will then promptly take any action we may consider necessary to protect and defend you against the claim, so long as the claim is based solely on any alleged infringement, unfair competition, or similar matter relating to your use of the Proprietary Marks or copyrights. You may not settle or compromise any claim of a third party without our prior written consent. We will have the right to defend, compromise and settle the claim at our sole cost and expense, using our own counsel. You agree to cooperate fully with us in connection with the defense of the claim and to execute any and all documents, and do any and all things, as our counsel deems necessary, including (but not limited to) becoming a nominal party to any legal action. If you do so, then we shall reimburse you for your out-of-pocket costs in doing such acts and things, but you will bear the salary costs of your employees and we will bear the costs of any judgment or settlement. You grant irrevocable authority to us, and appoint us as your attorney in fact, to defend and/or settle all claims of this

type. You may participate at your own expense in the defense or settlement, but our decisions with regard to the defense or settlement will be final.

We will have no obligation to you under this Section 15.05 if the claim arises out of or relates to your use of any of the Proprietary Marks and/or our copyrights in violation of the terms of this Agreement and/or the Brand Standards.

#### **15.06 Prosecution of Infringers**

If you receive notice or are informed or learn that any third party which you believe is not authorized to use the Proprietary Marks is using the Proprietary Marks or any variant of the Proprietary Marks, you agree to promptly notify us. We will then determine whether or not we wish to take any action against the third party on account of the alleged infringement of our Proprietary Marks. You will have no right to make any demand or to prosecute any infringement claim. If we undertake an action against an infringing party, you must execute any and all documents and do such acts and things as, in our counsel's opinion, are necessary including (but not limited to) becoming a nominal party to any legal action. Unless the litigation is the result of your improper use of the Proprietary Marks, we shall reimburse you for your out-of-pocket costs in doing such acts and things, but you will bear the salary costs of your employees.

#### **15.07 Discontinuance or Substitution of Proprietary Marks**

If now or hereafter one or more of the Proprietary Marks can no longer be used, or if we in our sole business judgment determine to adopt and use one or more additional or substitute Proprietary Marks, then you agree to promptly comply with any of our directions or instructions to modify or discontinue use of any Proprietary Mark and/or adopt and use one or more additional substitute Proprietary Marks. We shall have no obligation to reimburse you for any expenditures you make to comply with such instructions or directions. Nor will we be liable to you for any other expenses, losses or damages sustained by you or your franchised Business as a result of any Proprietary Mark addition, modification, substitution or discontinuation.

### **16. RELATIONSHIP OF THE PARTIES**

#### **16.01 Relationship of the Parties**

You understand and agree that you are and will be our independent contractor under this Agreement. Nothing in this Agreement may be construed to create a partnership, joint venture, agency, employment or fiduciary relationship of any kind. None of your employees will be considered to be our employees. Neither you nor any of your employees whose compensation you pay may in any way, directly or indirectly, expressly or by implication, be construed to be our employee for any purpose, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. We will not have the power to hire or fire your employees. You must communicate to all employees that you, not us, are their employer; and you must ensure that no payroll checks or other employment-related documents (such as job applications and W-2s) contain or reference the Marks or our name. Each of the parties will file its own tax, regulatory, and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof. You expressly agree, and will never contend otherwise, that our authority under this Agreement to certify certain of your employees for qualification to perform certain functions for your franchised Business does not directly or indirectly vest in us the power to hire, fire or control any such employee.

You acknowledge and agree, and will never contend otherwise, that you alone will exercise day-to-day control over all operations, activities and elements of your franchised Business and that under no circumstance shall we do so or be deemed to do so. You further acknowledge and agree, and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications and procedures of the System which you are required to comply with under this Agreement,

whether set forth in our Brand Standards or otherwise, do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations of your franchised Business, which you alone control, but only constitute standards you must adhere to when exercising your control of the day-to-day operations of your franchised Business.

You may not, without our prior written approval, have any power to obligate us for any expenses, liabilities or other obligations, other than as specifically provided in this Agreement. Except as expressly provided in this Agreement, we may not control or have access to your funds or the expenditure of your funds or in any other way exercise dominion or control over your Business. Except as otherwise expressly authorized by this agreement, neither party will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name of or on behalf of the other party, or represent that the relationship between us and you is other than that of franchisor and franchisee. We do not assume any liability, and will not be considered liable, for any agreements, representations, or warranties made by you which are not expressly authorized under this Agreement.

You promise that you will not avail yourself of any rights or remedies at law or in equity that may arise from an assertion that: (i) you are our agent, legal representative, subsidiary, joint venturer, partner, employee, or servant; or (ii) we are a joint employer for your employees. If such a claim is brought against us, we may use your covenant in this Section 16.01 as an absolute defense against such claim. Further, if any such claim is brought against us or our affiliates and subsidiaries, and their respective current and former officers, directors, shareholders, partners, employees, predecessors, successors, attorneys, agents, representatives, and assigns, you will indemnify, defend, and hold harmless any such party from and against any such claim.

#### **16.02 Franchisee is the Sole and Exclusive Employer of its Employees**

Franchisee hereby irrevocably affirms, attests and covenants its understanding that in no fashion is Franchisee, or may Franchisee be deemed to be, Franchisor's employee (under any theory or definition of "employee" or "employment") and that Franchisee's employees are employed exclusively by Franchisee and in no fashion is Franchisee or any such employee either employed, jointly employed or co-employed by Franchisor. Franchisee further affirms and attests that each of its employees is under the exclusive dominion and control of Franchisee and never under the direct or indirect control of Franchisor in any fashion whatsoever. Franchisee alone hires each of its employees; sets their schedules; establishes their compensation rates; and, pays all salaries, benefits and employment-related liabilities (workers' compensation insurance premiums/payroll taxes/Social Security contributions/Affordable Care Act contributions/unemployment insurance premiums). Franchisee alone has the ability to discipline or terminate its employees to the exclusion of Franchisor, which has no such authority or ability. Franchisee further attests and affirms that any minimum staffing requirements established by Franchisor are solely for the purpose of ensuring that Franchisee's Restaurant is at all times staffed at those levels necessary to operate Franchisee's Restaurant in conformity with the System and the products, services, standards of quality and efficiency, and other Crafty Crab brand attributes known to and desired by the consuming public and associated with the Proprietary Marks. Franchisee affirms, warrants and understands that it may staff its Restaurant with as many employees as it desires at any time so long as Franchisor's minimal staffing levels are achieved. Franchisee also affirms and attests that any recommendations it may receive from Franchisor regarding salaries, hourly wages or other compensation for employees are recommendations only, designed to assist it to efficiently operate its Restaurant, and that Franchisee is entirely free to disregard Franchisor's recommendations regarding such employee compensation. Moreover, Franchisee affirms and attests that any training provided by Franchisor for Franchisee's employees is geared to impart to those employees, with ultimate authority, the various procedures, protocols, systems and operations of a franchised Restaurant and in no fashion reflects any employment relationship between Franchisor and such employees. Finally, should it ever be asserted that Franchisor is the employer, joint employer or co-employer of Franchisee or any of Franchisee's employees in any private or

government investigation, action, proceeding, arbitration or other setting, Franchisee irrevocably agrees to assist Franchisor in defending said allegation, including (if necessary) appearing at any venue requested by Franchisor to testify on Franchisor's behalf (and, as may be necessary, submitting itself to depositions, other appearances and/or preparing affidavits dismissive of any allegation that Franchisor is the employer, joint employer or co-employer of Franchisee or any of Franchisee's employees). To the extent Franchisor is the only named party in any such investigation, action, proceeding, arbitration or other setting to the exclusion of Franchisee, then should any such appearance by Franchisee be required or requested by Franchisor, Franchisor will recompense Franchisee the reasonable costs associated with Franchisee appearing at any such venue (including travel, lodging, meals and *per diem* salary). Pursuant to Section 8.10 above, Franchisee will indemnify and hold harmless us and the other Franchisor Parties to the fullest extent permitted by law against all claims, losses, liabilities and costs (as defined in Section 8.10) from any claim, however and wherever asserted, that we or our affiliates are the employer, joint employer or co-employer of you and/or your employees (including, without limitation, any claims against us for your violation of federal, state or local labor and/or wage and hour laws, rules and regulations). Accordingly, in accordance with Section 9.01A.7) Franchisee shall obtain and maintain insurance coverage of such type, nature and scope sufficient to satisfy this indemnification obligation.

## **17. DEFAULT AND TERMINATION**

### **17.01 Termination By Us – Automatic Termination Without Notice**

You will be in default of this Agreement, and all rights granted in this Agreement will immediately and automatically terminate and revert to us without notice to you, if: you become insolvent; you, the franchised Business, or any Guarantor thereof is adjudicated as bankrupt or insolvent; all or a substantial portion of the assets of your franchised Business are assigned to or for the benefit of any creditor or creditors; a petition in bankruptcy is filed by or against you, the franchised Business or any Guarantor thereof and is not immediately contested and thereafter dismissed or vacated within sixty (60) days from filing; you admit in writing your inability to pay your debts when due; you, the franchised Business and any Guarantor thereof cause, permit or acquiesce in an order for relief under the U.S. Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency, reorganization, receivership or other similar law now or hereafter in effect, or consent to the entry for an order for relief in an involuntary proceeding or to the conversion of an involuntary proceeding to a voluntary proceeding, under any such law; a bill in equity or other proceeding for the appointment of a receiver or other custodian of you, the franchised Business, or any Guarantor of the franchised Business, or the assets of any of them, is filed and consented to by you; a receiver or other custodian (permanent or temporary) of all or part of the assets or property of you, the franchised Business and any Guarantor of the franchised Business is appointed by any court of competent jurisdiction; proceedings for a composition with creditors under any federal or state law are instituted by or against you, the franchised Business or any Guarantor thereof; you, or any Guarantor are dissolved or liquidated; execution is levied against you, the franchised Business, any Guarantor thereof and/or the property of any of the foregoing; the property of the franchised Business or your Restaurant is sold after levy thereon by any governmental body or agency, sheriff, marshal, constable or other person authorized under federal, state and/or local law; a final court judgment against you remains unsatisfied or of record for thirty (30) days or longer (unless supersede as bond is filed); a judicial or non-judicial action to foreclose any lien or mortgage against any of your System Restaurant premises or equipment is instituted against you and is not dismissed or settled by the earlier of (i) thirty (30) days from commencement or (ii) consummation of such sale; or, if you are a business entity, your governing body adopts any resolution or otherwise authorizes action to approve any of the foregoing activities.

## **17.02 Termination By Us Upon Notice – No Opportunity To Cure**

You will have materially breached this Agreement and, in addition to all other remedies we have at law or in equity, we may, at our option, terminate this Agreement and all rights granted under this Agreement, without giving you any opportunity to cure the breach, effective immediately upon your receipt of notice (which, whether sent by overnight courier, personal physical delivery or any other manner authorized by Section 26.01 below, will be deemed to have been received by you upon delivery or first attempted delivery of the notice to you) upon the occurrence of any of the following events:

1. You do not open your Restaurant for business to the general public by the date specified in Section 8.01 of this Agreement; cease operating the franchised Business; abandon the franchise relationship established under this Agreement; or, fail to operate your Restaurant for three consecutive days during which you are required to operate it under this Agreement, unless your failure to operate is due to force majeure (as defined in Section 20.01 of this Agreement).
2. You omitted or misrepresented any material fact in the information that you furnished to us in connection with our decision to enter into this Agreement.
3. We and you agree in writing to terminate this Agreement.
4. You lose the right to possession of the Restaurant Location.
5. You, your Managing Owner and/or, if you are a business entity, any owner, member, shareholder, director or manager (as applicable) of such entity is convicted of a felony, fraud, crime involving moral turpitude, or any other crime or offense which we reasonably believe is related to your operation of the franchised Business, or is likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated with the Proprietary Marks or our interest in the System or Proprietary Marks.
6. You purport or, if you are a business entity, any owner or principal of you purports to transfer any rights or obligations under this Agreement, any interest in you, the franchised Business or your Restaurant to any third party in violation of the terms of this Agreement.
7. You do not comply with the covenant not to compete set forth in this Agreement during the term of this Agreement; violate the restrictions pertaining to the use of Confidential Information contained in this Agreement; or, do not obtain the execution of the additional covenants required by this Agreement.
8. You, your Managing Owner and all others required to do so fail to attend or successfully complete our Initial Training Program (after being afforded the opportunity to repeat the training pursuant to Section 7.02 of this Agreement).
9. You knowingly or through gross negligence: conceal revenues; maintain false books or records; falsify information or otherwise defraud or make false representations to us; or, submit any false report to us.
10. You do not maintain the financial records required by Section 11.02 of this Agreement.
11. We or our designee conducts an audit of your franchised Business which discloses that any monthly report or statement which you submitted to us understated your Gross Revenues by 8% or more for any month within the period of examination, or for the entire period of examination.

12. You refuse us permission to inspect, or to conduct an operational and/or financial audit of, your Business.
13. You take, withhold, misdirect or appropriate for your own use any funds withheld from your employees' wages which should have been set aside for the franchised Business' employee taxes, FICA, insurance or benefits; wrongfully take or appropriate for your own use our property or funds; systemically fail to deal fairly and honestly with your employees, customers or suppliers; or knowingly permit or, having discovered the facts, fail to take any action against, or to discharge, any agent, servant or employee who has embezzled our funds or property or that of any customers or others.
14. After curing a default which is subject to cure under Section 17.03 below, you commit the same act of default again within six months.
15. You make a willful misrepresentation or do not make a material disclosure required by any governmental or quasi-governmental authority regarding any matter involving or affecting the operations of your franchised Business and your Restaurant.
16. You interfere or attempt to interfere in any manner with our or our affiliates' contractual relations and/or our relationships with other franchisees; any supplier of you, us or other franchisees; any governmental or quasi-governmental authority; our employees or advertising agencies; or, any third parties.
17. You commit any act or default which materially impairs the goodwill associated with our Proprietary Marks and which, by its nature, is incurable; or, if the default is curable, you fail to cure the default following delivery of written notice to cure at least seventy-two hours in advance.
18. You do not comply, for a period of fifteen (15) days after notification of non-compliance by us or any governmental or quasi-governmental authority, with any federal, state or local law or regulation applicable to the operation of the franchised Business.
19. You repeatedly fail to comply with one or more requirements of this Agreement, whether or not corrected after notice.
20. You do not purchase or maintain any category of insurance required by this Agreement.
21. You, your franchised Business, your Managing Owner and/or your Restaurant violate any law, rule or regulation, and/or engages in any act or practice, which subjects you and/or us to widespread publicity, ridicule or derision.
22. You breach the provisions of this Agreement relating to advertising standards and do not cure this breach within three days following written notice from us.
23. You purchase any proprietary programs, products or services from us or our affiliates, or purchase from us, our affiliates or any third party non-proprietary goods, programs, products or services pursuant to a Systemwide Supply Contract we negotiate, and you use, divert, sell or otherwise exploit such programs, products or services for the benefit of any other individual, entity or business.
24. You operate your franchised Business and/or your Restaurant in a fashion that, in our business judgment, in any way jeopardizes the life, health or safety of the general public, your customers and/or your employees. If you do so, then not only may we terminate this Agreement upon notice, but you agree that we may either beforehand or concurrently direct you to immediately close your Restaurant; you

shall immediately comply with such direction (which may be given orally or in writing); and, you shall hold us harmless from and against any claims whatsoever relating to our direction to close your Restaurant.

25. You make any use of our Confidential Information and/or Proprietary Marks not specifically authorized by this Agreement or our Brand Standards, or you directly or indirectly utilize or devote same for the benefit of any individual or entity other than your franchised Business.
26. You engage in any act or conduct, or fail to engage in any act or conduct, which under this Agreement specifically authorizes us to terminate this Agreement immediately upon notice to you.
27. You default under any agreement between you and any lessor or sublessor of your Restaurant Location and you do not cure the default within the period specified in the Restaurant Location's Lease or Sublease (as applicable).
28. You or any of your owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of your owners otherwise violate any such law, ordinance, or regulation.
29. Per Section 17.06 ("Cross-Default"), you (or any of your owners) fail to cure within the applicable time period any breaches under this Agreement, or any other agreement between you (or any of your affiliates) and us (or any of our affiliates) including, but not limited to, any other franchise agreement, area development agreement, lease or promissory note.

### **17.03 Termination by Us – Thirty Days to Cure**

Except as provided in Section 17.01, 17.02 or in this Section 17.03, you will have thirty calendar days after we furnish you with a written notice of default, transmitted in accordance with the terms of Section 26.01 of this Agreement, to cure any default under this Agreement (or, if the default cannot reasonably be cured within this time, to initiate action to cure the default within such time and complete cure within the shortest reasonable time thereafter) and to provide us with evidence that you have done so. If you have not cured any default within the applicable cure period specified in this Section 17.03 (or, if the default cannot reasonably be cured within such time, you have not initiated action to cure the default within the applicable cure period and thereafter cure the default within the shortest reasonable time thereafter), or any longer period that applicable law may require, then, in addition to all other remedies we have at law or in equity, this Agreement will terminate immediately upon expiration of the applicable cure period, or any longer period required by applicable law, without further notice to you.

You will be in default of this Agreement for any failure to comply with any of the requirements imposed upon you and, if you are a business entity, your owners and Guarantors by this Agreement, our Brand Standards and/or all Supplements to the Brand Standards or if you and/or your owners or Guarantors otherwise fail to fulfill the terms of this Agreement in good faith. These defaults include the following events, which are set forth as examples only and are not meant to, nor shall they be deemed to, delineate all of the possible defaults which you may commit under this Agreement:

1. You or any of your affiliates fail, refuse or neglect to pay promptly when due any money owed to us, our affiliates or any lender which has provided financing to your franchised Business. The cure period for this default shall not be the above-referenced thirty (30) calendar days but, instead, will be five (5) calendar days after we transmit to you a written notice of default. If you fail to cure any such default within such shortened cure period, then this Agreement will terminate immediately upon expiration of the applicable cure period.

2. You fail, refuse or neglect to submit the financial and non-financial reports and other information required to be submitted to us under this Agreement, our Brand Standards or other written notices we transmit to you, or you make any false statements in connection with any reports or other information required to be submitted to us.
3. Your franchised Business and/or Restaurant offers and sells any programs, products or services that we do not authorize under this Agreement or our Brand Standards.
4. You fail to maintain your trade accounts in a current status and/or fail to seek to promptly resolve any disputes with trade suppliers.
5. You engage in any business, or market any program, product or service, under a name or mark which, in our opinion, is confusingly similar to the Proprietary Marks.
6. You fail to pay any taxes due and owing by your franchised Business (including employee taxes) when due.
7. You do not use our Proprietary Marks and/or trade dress solely in the manner and for the purposes directed by us in this Agreement, our Brand Standards or otherwise.
8. You violate the restrictions pertaining to advertising set forth in Article 10 of this Agreement.
9. You do not indemnify us and/or one of the Franchisor Parties as required by this Agreement.
10. By act or omission, you permit a continued violation in connection with the operation of the franchised Business of any law, ordinance, rule or regulation of a governmental agency, in the absence of a good faith dispute over its application or legality and without promptly resorting to an appropriate administrative or judicial forum for relief.
11. You fail to obtain or maintain any required permit, certificate or other governmental approval required either by this Agreement or applicable law, rule or regulation.
12. You employ any individual who is not eligible for employment in the United States under any federal, state, local or other law, rule or regulation.
13. You fail to operate your Restaurant during the days and hours specified in our Brand Standards without our prior written approval.
14. You fail to maintain and operate your Restaurant in a good, clean and sound manner and in strict compliance with our standards for speed, service, quality, cleanliness and maintenance as set forth in our Brand Standards or otherwise.
15. Any Guarantor fails to comply with any of the requirements imposed by or pursuant to the Guarantee addressed in Section 31.02 of this Agreement.
16. You do not devote the amount of your time and attention and/or your best efforts to the performance of your duties of this Agreement necessary for the proper and effective operation of your franchised Business and/or Restaurant.
17. You fail to implement (and, at your expense, take all steps necessary to implement) and thereafter adhere to any new or changed System requirements.



18. A final judgment not subject to appeal is entered against you or any Guarantor and remains unsatisfied for more than thirty days or, if any such judgment is subject to appeal, you do not prosecute such appeal within thirty days (or such shorter period as any law, rule or regulation requires).
19. You fail to comply with any other requirement imposed by this Agreement or our Brand Standards, or otherwise fail to carry out the terms of this Agreement in good faith.

#### **17.04 Description of Default**

The description of any default in any notice that we transmit to you will in no way preclude us from specifying additional or supplemental defaults under this Agreement or any related agreements in any action, proceeding, hearing or lawsuit relating to this Agreement or the termination of this Agreement.

#### **17.05 Your Failure to Pay Constitutes Your Termination of This Agreement**

Your failure to timely cure any breach of your obligation to make payments of Continuing Royalties, System Advertising Contributions, or any other monies due and owing to us or our affiliates under this Agreement, or to timely cure any other breach of this Agreement committed by you, in either instance following our notice to you that you have committed a breach of this Agreement and granting you an opportunity to cure said breach (if such activities are required of us prior to our terminating this Agreement), will be irrevocably deemed to constitute your unilateral rejection and termination of this Agreement and all related agreements between you and us or our affiliates, notwithstanding that a formal notice of such termination(s) ultimately issues from us, and you shall never contend or complain otherwise.

#### **17.06 Cross Default**

Any default or breach by you (or any of your affiliates) of any other agreement between us or our Affiliates and you (or any of your affiliates) will be considered a default under this Agreement, and any default or breach of this Agreement by you will be considered a default or breach under any and all other agreements between us (or any of our Affiliates) and you (or any of your affiliates). If the nature of the default under any other such agreement would have permitted us to terminate this Agreement if the default had occurred under this Agreement, or if the nature of the default under this Agreement permits us to terminate this Agreement, then we (or our Affiliate) will have the right to terminate any or all of the agreements between us (or any of our Affiliates) and you (or any of your affiliates) in the same manner provided for in this Agreement for termination of this Agreement. Your "affiliates" include any persons or entities controlling, controlled by, or under common control with you.

#### **17.07 Continuance of Business Relations**

Any continuance of business relations between you and us after the termination or expiration of this Agreement will not constitute, and may not be construed as, a reinstatement, renewal, extension or continuation of this Agreement unless you and we agree in writing to any such renewal, extension or continuation.

#### **17.08 Notice Required By Law**

If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement or the parties to this Agreement limits our rights to terminate this Agreement or requires longer notice or cure periods than those set forth above, then this Agreement will be considered modified to conform to the minimum notice, cure periods or restrictions upon termination required by such laws and regulations. We will not, however, be precluded from contesting the validity, enforceability or application of the laws or regulations in any action, proceeding, hearing or dispute relating to this Agreement or the termination of this Agreement.

### **17.09 Franchisor's Right to Send Notifications of Termination**

Before or on the expiration or termination of this Agreement, we may give notice that the Restaurant is leaving the System and take any other action related to customers, suppliers and all other individuals or entities affected by such expiration or termination or which require or desire an identification of our System Restaurants.

## **18. FURTHER OBLIGATIONS AND RIGHTS FOLLOWING THE TERMINATION OR EXPIRATION OF THIS AGREEMENT**

### **18.01 Further Obligations and Rights Following the Termination or Expiration of this Agreement**

If this Agreement expires or terminates for any reason or is assigned by you, you will cease to be one of our authorized franchisees and you will lose all rights to the use of our Proprietary Marks, the System, all Confidential Information and know-how owned by us and any goodwill (including "local" goodwill) engendered by the use of our Proprietary Marks and/or attributed to your conduct of the franchised Business.

Upon expiration or earlier termination of this Agreement for whatever reason, you agree to:

1. Immediately pay all royalties, fees, Sublease payments and other sums due and owing to us or our affiliates, plus interest, and all sums due and owing to any landlord, suppliers, employees, taxing authorities, advertising agencies, lenders and all other third parties.
2. Discontinue the use of the Proprietary Marks, and not operate or do business under any name or in any manner which might tend to give the general public the impression that you are operating a Business, a Restaurant or any similar business. You may not use, in any manner or for any purpose, directly or indirectly, any of our Confidential Information, trade secrets, procedures, forms, techniques, know-how or materials acquired by you by virtue of the relationship established by this Agreement. You may never identify yourself to the public in any fashion whatsoever as a current or former Crafty Crab franchisee.
3. Take all necessary action to cancel any assumed name or equivalent registration which contains the Proprietary Mark "Crafty Crab", or any other Proprietary Mark of ours, or any variant, and furnish us with satisfactory evidence of compliance, within fifteen days following termination or expiration of this Agreement. If you fail or refuse to do so, we may, in your name, on your behalf and at your expense, execute all documents necessary to cause discontinuance of your use of the name "Crafty Crab", or any related name used under this Agreement. You irrevocably appoint us as your attorney-in-fact to do so.
4. Upon any termination of this Agreement by us for cause, we will have the right immediately to enter and take possession of your Restaurant to maintain continuous operation of the previously franchised business, provide for orderly change of management and disposition of personal property, and otherwise protect our interests. If you dispute the validity of our termination of the franchise, we will nevertheless have the option (which you irrevocably grant) to operate the business pending the final, unappealed determination of the dispute by a court of competent jurisdiction. If a court of competent jurisdiction makes a final, unappealed determination that the termination was not valid, we agree to make a full and complete accounting for the period during which we operated the previously franchised business.
5. If we terminate this Agreement because of your default or you terminate same through failure to make payment following notice and opportunity to cure (pursuant

to Section 17.03), you must pay us all losses and expenses we incur as a result of the default or termination, including all damages, costs, expenses, and reasonable attorneys' and experts' fees directly or indirectly related thereto, such as (without limitation) lost profits, lost opportunities, damage inuring to our Proprietary Marks and reputation, travel and personnel costs and the cost of securing a successor franchised business at the Restaurant Location. This obligation will give rise to and remain, until paid in full, a lien in our favor against any and all of the assets, property, furnishings, equipment, signs, fixtures and inventory owned by you or the franchised Business at the time of termination and against any of your money which we are holding or which is otherwise in our possession.

6. Immediately deliver to us all training or other materials furnished to you (including the Brand Standards and Supplements to the Brand Standards), all Confidential Information, computer software and database material, customer lists, records and files, documents, instructions, display items, advertising and promotional material, any and all materials, signs and related items which bear our Proprietary Marks or slogans or insignias or designs, advertising contracts, forms and other materials or property of ours, and any copies of them in your possession which relate to the operation of the franchised Business. You may retain no copy or record of any of these items, except for your copy of this Agreement, any correspondence between the parties and any other documents which you reasonably need for compliance with any provision of law. You agree that the foregoing items, materials, lists, files, software and other similar items will be considered to be our property for all purposes.
7. Immediately execute all agreements necessary to effectuate the termination in a prompt and timely manner.
8. At our option, either change the telephone numbers utilized by your franchised Business or, upon our written demand, direct the telephone company to transfer the telephone numbers (and associated listings) listed for the franchised Business to us or to any other person or location that we direct. If you do not promptly direct the telephone company to do so, you irrevocably appoint us as your attorney-in-fact to direct the telephone company to do so.
9. Strictly comply with the post-termination/post-expiration covenants not to compete set forth in Article 12 of this Agreement (including those restricting your ability to sell, assign, lease or otherwise grant possessory rights to your Restaurant and/or Restaurant Location to a party intending to conduct a Competitive Business thereat).
10. Continue to abide by those restrictions pertaining to the use of our Confidential Information, trade secrets and know-how set forth in Article 12 of this Agreement.
11. Immediately surrender to us all computer software, data storage disks or tapes and other electronic media used in the operation of the franchised Business, printouts, and other information pertaining to computer operations, codes, procedures and programming. You agree not to destroy, damage, hide or take any steps to prevent us from obtaining any information which you had stored in the computer systems of the franchised Business. You agree not to retain any printouts, disks, tapes or other electronic media containing any of the programs or data stored in the computer systems.
12. If you lease your Restaurant Location from a third party and we elect not to assume possession of the Restaurant Location and/or elect not to exercise our option under

Article 19 below, then promptly upon termination or expiration of this Agreement, you agree to “de-identify” the Restaurant Location in all respects by performing all redecoration and remodeling, and effecting physical changes to the Restaurant Location and the franchised Business’ décor, trade dress, color combination, signs and other physical characteristics, as we consider necessary in our reasonable business judgment to distinguish the Restaurant Location from a duly authorized Restaurant Location. Without limiting the foregoing, upon our request, you will immediately discontinue use of our color scheme (by repainting if necessary) and will immediately remove all identifying architectural superstructure (as set forth in the plans and specifications for your Restaurant) and other distinguishing structures, décor items, furniture, and equipment from your Restaurant hereunder as we may direct, in order to effectively distinguish your former System Restaurant and other facilities from our proprietary design(s) and trade dress. If you refuse, neglect or fail to do so, we, in addition to any other remedy we have, have the right to enter upon the Restaurant Location and effect such required changes at your sole risk and expense, and you hereby appoint us or our agents as your attorney(s)-in-fact with full authority to do so with no liability for trespass or any other illegality.

## **19. OUR OPTION UPON TERMINATION OR EXPIRATION**

### **19.01 Option to Purchase Your Franchised Business’s Assets, Computers and Computer and Point of Sale Systems**

A. Upon the termination or expiration of this Agreement for any reason, we, any of our affiliates, and/or any nominee or designee we name are hereby granted an option, exercisable within thirty (30) days after the termination or expiration becomes effective, to purchase as soon as practicable thereafter (including any period necessary for the obtaining of governmental approvals and consents of the concerned lessor) all of your operating assets relating to the franchised Business. We may exclude from the assets we elect to purchase, cash or its equivalent and any leasehold improvements, equipment, fixtures, furnishings, signs, materials and supplies that are not necessary or appropriate (in function or quality) to the Restaurant’s operation or that we have not approved as meeting the System standards, and the purchase price will reflect such exclusions. The date on which such purchase is closed will be referred to as the “Closing Date”. The following terms and conditions will apply to the option granted by this Article 19:

1. All leasehold improvements, furniture, fixtures, supplies, equipment, trade dress elements and inventory will be purchased at your original cost or for an amount equal to their fair market value, whichever is less. If you and we cannot agree on “fair market value”, then an appraiser shall determine same in accordance with the procedures set forth in Section 19.02 below.
2. All transferrable permits, licenses and other governmental authorizations will be transferred or assigned to us, our affiliate, nominee or designee (as applicable) at the soonest possible time, specifically including any alcoholic beverage licensing, permits or authorizations.
3. All printed material, forms and other materials purchased from us under this Agreement will be purchased for an amount equal to their cost (if any).
4. All property, real or personal, sold to us or our affiliate, nominee or designee (as applicable) under this Article 19 must be free and clear of all liens, debts, claims, liabilities, leases, encroachments, covenants, conditions, restrictions, rights, rights of way and/or other encumbrances (except for tax liens and special and/or other assessments not delinquent) unless we, in our reasonable opinion (or that of our affiliate, nominee or designee, as applicable), determine that the existence of same either will not interfere with

the proposed use of the property or that the existence of same are merely due to easements of record, zoning ordinances or statutes, use and occupancy restrictions of public record or other limitations which are generally applicable to similar properties in the vicinity.

B. You will convey to us (or our affiliate, nominee or designee, as applicable) good and merchantable, full, legal, equitable and beneficial title to all of the foregoing assets by means of appropriate deeds, bills of sale and assignments containing warranties of title. You hereby irrevocably designate us as your attorney-in-fact and proxy to execute any and all instruments necessary and appropriate to effect such conveyance and will sign any other documents or agreements necessary for our appointment as such. We (or our affiliate, nominee or designee, as applicable) will have the right at our option to assume any liabilities encumbering the assets sold under the provisions of this Article or any of the liabilities for which we would otherwise be indemnified by you pursuant to Section 8.10 of this Agreement, and reduce the consideration payable to you accordingly. You will pay all transfer taxes and recording fees, if any.

C. All rents, interest, assessments, taxes and other charges or royalties related to the assets to be conveyed, the payment period of which began before the Closing Date, will be prorated to the Closing Date on the basis of the most recent rates available, and the prorated amount will be added to or subtracted from, as the case may be, the consideration payable to you.

D. You agree to use your best efforts to assist us (or our affiliate, nominee or designee, as applicable) in obtaining any government or other approvals or consents necessary to carry out the terms and intent of this Article 19.

#### **19.02 Appraisals**

If you and we cannot agree within a reasonable time on the fair market value of any assets we, our affiliate, nominee or designee acquire from you pursuant to this Article 19, or the commercially reasonable terms of any lease we require you to enter into for land and facilities owned by you (or any affiliate) and utilized by the franchised Business, then such dispute will be resolved by means of an appraisal conducted in the following fashion. If, within sixty (60) days following your receipt of our notice that we intend to exercise one or more of the options set forth above, you and we cannot agree on the fair market value of the item in question, then you and we within the next seven days shall each select one appraiser and notify the other party of its designee. The two appraisers you and we select will be instructed to meet within thirty days following their selection for the purpose of selecting a third appraiser to serve with them. If the two appraisers you and we select cannot agree on the selection on the third appraiser within fifteen (15) days after the selection of the last of them, then you shall select the third appraiser from a list of three appraisers we propose in writing. In the event our disagreement pertains to the commercially reasonable terms of any lease you are required to enter into with us for the Restaurant Location (if you own it), then each appraiser selected must have received the MAI designation and must be actively engaged in appraisal work in the county in which the Restaurant Location is located. The appraisers' determination of the fair market value of any item(s) we intend to purchase from you, or the commercially reasonable terms of the Lease for your owned Restaurant Location, will be binding on both of us. The parties hereby agree that they will instruct the appraisers to complete their appraisal within thirty (30) days after the third appraiser's appointment. If following the appraisal we exercise any of the options set forth above, then you and we will each pay one half (1/2) of the cost of any and all such appraisals. If we do not elect to exercise any option provided herein following the appraisals then we alone shall bear the cost of all of the appraisal. If we exercise any of the options granted to us above, we will have the right to set off from all amounts due to you any and all amounts which are due and owing by you to us and our affiliates.

#### **19.03 Timing**

If we exercise our option to purchase (or, with respect to your Restaurant Location, lease) any of the assets of your franchised Business as provided in this Article 19, then the Closing Date shall be

no later than sixty (60) days after either you and we agree on the fair market value of the assets in question (or, with respect to the Restaurant Location, the commercially reasonable terms for our lease for such Restaurant Location) or, if you and we cannot agree on same, no later than sixty days after the determination of such fair market value/commercially reasonable terms furnished by the appraisers provided for in Section 19.02 of this Agreement.

## **20. UNAVOIDABLE DELAY OR FAILURE TO PERFORM (FORCE MAJEURE)**

### **20.01 Unavoidable Delay or Failure to Perform (Force Majeure)**

Any delay in our or your performance of any duties under this Agreement, or any non-performance of such duties, that is not your or our fault (as applicable) or within your or our reasonable control – including, but not limited to, fire; floods, natural disasters; Acts of God; war; civil commotion; terrorist acts; any governmental act or regulation; any delays or defaults in deliveries by common carriers and/or postal services and/or overnight couriers; computer network outages; late deliveries or non-deliveries of goods or non-furnishing of services by third party vendors; strikes; lockouts; and any other similar event beyond such party's control) will not constitute a breach or cause a default under this Agreement, provided, however, that we or you (as applicable) will take all steps reasonably possible to mitigate damages caused by such failure or delay.

Notwithstanding the foregoing, if any such failure or delay continues for more than 180 days, we will have the right at any time thereafter during the continuance of such failure or delay to terminate this Agreement upon thirty (30) days' advance written notice to you.

## **21. APPROVALS AND WAIVER**

### **21.01 Approvals**

Whenever this Agreement requires you to secure our prior approval or consent, such approval or consent must be obtained in writing and must be timely sought.

### **21.02 Waiver and Delay**

No waiver or delay in either party's enforcement of any breach of any term, covenant or condition of this Agreement will be construed as a waiver by that party of such breach or any preceding or succeeding breach, or any other term, covenant or condition of this Agreement. Without limiting the foregoing, our acceptance of any payment specified to be paid by you under this Agreement will not be, nor constitute, our waiver of any breach of any term, covenant or condition of this Agreement.

We shall not be required to waive or impair any right, power, or option this Agreement reserves (including, without limitation, our right to demand exact compliance with every term, condition, and covenant or to terminate this Agreement before its term expires due to a breach) because of any custom or practice at variance with this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including, without limitation, any System standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other Crafty Crab Restaurants; the existence of franchise agreements for other Restaurants which contain provisions different from those contained in this Agreement; or, our acceptance of any payments due from you after any breach of this Agreement.

### **21.03 Our Withholding of Consent – Your Exclusive Remedy**

In no event may you make any claim for money damages based on any claim or assertion that we have unreasonably withheld or delayed any consent or approval under this Agreement. You waive any such claim for damages. You may not claim any such damages by way of setoff, counterclaim or defense. Your sole remedy for the claim will be an action or proceeding to enforce this Agreement's provisions, for specific performance or for declaratory judgment.

#### **21.04 No Warranty or Guarantee**

If we afford you a waiver, approval, consent or suggestion in connection with this Agreement, we do not thereby make any warranty or guarantee upon which you may rely and by doing so we assume no liability or obligation to you.

### **22. OUR RIGHT TO CURE DEFAULTS**

#### **22.01 Our Right to Cure Defaults**

In addition to all other remedies granted pursuant to this Agreement, if you default in the performance of any of your obligations, or breach any term or condition of this Agreement or any related agreement, then we may, at our election, immediately or at any time thereafter, without waiving any claim for breach under this Agreement and without notice to you, cure the default on your behalf. Our cost of curing the default and all related expenses will be due and payable by you immediately upon demand.

### **23. INJUNCTION**

#### **23.01 Injunction**

You explicitly affirm and recognize the unique value and secondary meaning associated with the System and the Proprietary Marks. Accordingly, you agree that any noncompliance by you with the terms of this Agreement, or any unauthorized or improper use of the System or the Proprietary Marks by you, will cause irreparable damage to us and other System franchisees. You therefore agree that if you engage in such noncompliance, or unauthorized and/or improper use of the System or Proprietary Marks, during or after the term of this Agreement, we and our affiliates will be entitled to both temporary and permanent injunctive relief against you from any court of competent jurisdiction, in addition to all other remedies which we may have at law. You consent to the entry of these temporary and permanent injunctions without the requirement that we post a bond of any type or nature, or any other form of security, and without the requirement to prove the adequacy of money damages as a remedy, and without waiving any other rights or remedies at law or in equity. You will be responsible for payment of all costs and expenses, including reasonable attorneys' and expert fees, which we and/or our affiliates may incur in connection with our efforts to secure such injunctive relief.

### **24. INTEGRATION OF AGREEMENT**

#### **24.01 Integration of Agreement**

This Agreement, all exhibits to this Agreement, and all ancillary agreements executed contemporaneously with this Agreement constitute the entire agreement between the parties with reference to the subject matter of this Agreement and supersede any and all prior negotiations, understandings, representations and agreements; provided, however, nothing in this or any related agreement is intended to disclaim the express representations made in the franchise disclosure document, its exhibits and amendments that we provided to you. You specifically acknowledge that no officer, director, employee, agent, representative or independent contractor of ours is authorized to furnish you with any financial performance information. For the purpose of this Agreement, "financial performance information" means information given, whether orally, in writing or visually which states, suggests or infers a specific level or range of historic or projected sales, expenses and/or profits of franchised or non-franchised Businesses and Restaurants.

### **25. NO ORAL MODIFICATION**

#### **25.01 No Oral Modification**

This Agreement may not be amended orally but may be amended only by a written instrument signed by the parties.

**26. NOTICES**

**26.01 Notices, Requests and Protests**

Any notice, request or protest required or permitted to be given under this Agreement must be in writing; must be delivered to the other party either personally or by a recognized, documented overnight delivery service capable, through "signature capture" or otherwise, of documenting delivery or attempted delivery of the notice, or by electronic mail with third party proof of delivery (including date and time); and, will be effective on the date that delivery either is effected or is documented to have been first attempted. We reserve the right to designate in our Brand Standards a now or hereafter developed mode of electronic communication to facilitate our giving notices to each other, but only if the mode of communication we specify is capable of affording evidence of delivery or attempted delivery.

Notices to us:

Crafty Crab Franchising LLC  
3525 Enterprise Way  
Green Cove Springs, Florida 32043  
Attention: Ming Lin Zhang, Chief Executive Officer

With a contemporaneous copy (which shall not constitute notice) to:

Kaufmann Gildin & Robbins LLP  
767 Third Avenue, 30<sup>th</sup> Floor  
New York, New York 10017  
Attention: David J. Kaufmann, Esq.

Notices to You:

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

Attention: \_\_\_\_\_

Either party to this Agreement may, in writing, on ten (10) days' notice, inform the other of a new or changed address or addressee(s) to which notices under this Agreement should be sent. We may provide any notice under this Agreement (including, without limitation, any notice of termination) sufficiently in advance of any event to permit compliance with any notice requirements under state or other laws.

**27. SEVERABILITY**

**27.01 Severability**

Nothing contained in this Agreement may be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provision of this Agreement and any present or future law, rule or regulation which by its terms is applicable to this Agreement, the latter will prevail, but the affected provision of this Agreement will be curtailed and limited only to the extent necessary to bring it within the requirement of the law. In the event that any part, article, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, that provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect, unless said provision pertains to the payment of monies due



to us or our affiliates under this Agreement of any type or nature whatsoever, in which case we may at our option terminate this Agreement. If any court of competent jurisdiction deems any provision of this Agreement (other than for the payment of money) so unreasonable as to be unenforceable as a matter of law, the court may declare a reasonable modification of this Agreement (but not any of its payment provisions) and the parties agree to be bound by and perform this Agreement as so modified.

## **28. NO THIRD PARTY BENEFICIARIES**

### **28.01 No Third Party Beneficiaries**

This Agreement is entered into solely between you and us. Other than our affiliates or as expressly set forth in this Agreement, there is no intended third-party beneficiary of this Agreement and you agree that none is to be presumed or deemed to exist.

## **29. EXECUTION, CONSTRUCTION AND INTERPRETATION; FURTHER ACTS**

### **29.01 Execution, Construction and Interpretation; Further Acts**

A. This Agreement may be executed in multiple counterparts, each of which will be considered an original and all of which together will constitute one and the same instrument. Electronic and facsimile signatures will be considered as binding and conclusive as if original.

B. The titles and subtitles of the various Articles and Sections of this Agreement are inserted for convenience and will not affect the meaning or construction of any of the terms, provisions, covenants and conditions of this Agreement. The language of this Agreement will in all cases be construed simply according to its fair and plain meaning and not strictly for or against us or you.

C. It is agreed that if any provision of this Agreement is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision will have the meaning which renders it valid.

D. The parties agree to execute all other documents and perform all further acts necessary or desirable to carry out the purposes of this Agreement.

E. If Franchisee consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to us under this Agreement are joint and several.

F. As used in this Agreement, the words "include", "includes", or "including" are used in a non-exclusive sense and shall be construed to mean "including without limitation".

## **30. LEGAL ACTIONS, GOVERNING LAW AND VENUE**

### **30.01 Attorneys' Fees**

Except as otherwise provided by this Agreement, each party to any legal action or proceeding brought against the other party shall be responsible for his/her/its own attorneys' fees, experts' fees, court costs and all other expenses sustained in the course of such litigation (including any appeals). You acknowledge, however, that certain provisions of this Agreement provide that should we prevail in certain legal actions or proceedings against you, you must reimburse us for all costs and expenses incurred in connection with such legal actions or proceedings (including any appeal thereof), including reasonable attorneys' fees, experts' fees, court costs and all other expenses we incur. You further acknowledge that if we incur costs and expenses due to your failure to pay when due amounts owed to us, to submit when due any reports, information, or supporting records, or otherwise to comply with this Agreement, you agree, whether or not we initiate a formal legal proceeding, to reimburse us for all of the costs and expenses that we incur, including, without limitation, reasonable accounting, attorneys' and related fees, and any fees and

costs incurred in connection with collection of any amounts due and obtaining injunctive or other relief for the enforcement of any provisions of this Agreement.

### **30.02 Attorneys' Fees – Third Party Actions**

If we become a party to any action or proceeding commenced or instituted against us by a third party arising out of or relating to any claimed or actual act, error or omission of yours and/or any of your officers, directors, shareholders, management, employees, contractors and/or representatives (the "Franchisee Party(ies)") your Restaurant and/or your franchised Business by virtue of statutory, "vicarious", "principal/agent" or other liabilities asserted against or imposed on us as a result of our status as Franchisor; or if we become a party to any litigation or any insolvency proceeding involving you pursuant to any bankruptcy or insolvency code (including any adversary proceedings in conjunction with bankruptcy or insolvency proceedings), then you will be liable to, and must promptly reimburse us for, the reasonable attorneys' fees, experts' fees, court costs, travel and lodging costs and all other expenses we incur in such action or proceeding regardless of whether such action or proceeding proceeds to judgment. In addition, we will be entitled to add all costs of collection, interest, attorneys' fees and experts' fees to our proof of claim in any insolvency or bankruptcy proceeding you file.

### **30.03 Governing Law**

This Agreement; all relations between us; and, any and all disputes between you and/or any other Franchisee Party, on the one hand, and us and/or any other Franchisor Parties, on the other hand, whether such dispute sounds in law, equity or otherwise, is to be exclusively construed in accordance with and/or governed by (as applicable) the law of the state of New York without recourse to New York (or any other) choice of law or conflicts of law principles. If we move our principal headquarters to another state, we reserve the right to designate that state's law as governing, again without recourse to that successor state's (or any other) choice of law or conflicts of law principles, upon written notice to you. If, however, any provision of this Agreement is not enforceable under the laws of New York (or a successor state we designate as provided above), and if your franchised Business is located outside of New York (or such hereafter designated state) and the provision would be enforceable under the laws of the state in which the franchised Business is located, then that provision (and only that provision) will be interpreted and construed under the laws of that state. This Section 30.03 is not intended to invoke, and shall not be deemed to invoke, the application of any franchise, business opportunity, antitrust, unfair competition, fiduciary or any other doctrine of law of the State of New York, or any successor state we designate (as provided above), which would not otherwise apply by its terms jurisdictionally or otherwise but for the within designation of governing law or which, by virtue of its denominated geographic or subject matter scope, would not by its terms otherwise apply.

### **30.04 Venue**

Any action or proceeding brought by us or you (and/or any of our or your respective affiliates, and their respective owners, members, officers, directors or managers) against any such other party, whether sounding in law or equity, will be instituted, litigated through conclusion and, if necessary, appealed through final, irrevocable judgment exclusively in a state or federal district court of competent jurisdiction situated in the state, county and judicial district in which our principal place of business is then located (currently Green Cove Springs, in Clay County, Florida). Any such action or proceeding shall be brought in federal court if federal court jurisdiction exists and, if it does not exist, then in state court. You (and your affiliates, and the owners, members, officers, directors or managers of each of the foregoing) hereby irrevocably submit themselves to the jurisdiction of any such court and waive all questions of personal jurisdiction for the purpose of carrying out this provision. You (and each of your affiliates, and the owners, members, officers, directors or managers of each of the foregoing) agree that any dispute as to the venue for litigation will be submitted to and resolved exclusively by such aforementioned court. Notwithstanding the foregoing, however, with respect to any action for monies owed, injunctive or other extraordinary or equitable relief, or involving possession or disposition of, or other relief relating to, your Restaurant

or Restaurant Location, we may bring such an action in any state or federal district court which has jurisdiction. You, on behalf of yourself and your affiliates, and the owners, members, officers, directors or managers of each of the foregoing, hereby waive and covenant never to assert or claim that the venue designated for litigation by this Agreement is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including any claim under the judicial doctrine of "forum non conveniens"). The parties agree that this Section 30.04 shall not be construed as preventing either party from removing an action or proceeding from state to federal court.

### **30.05 Waiver of Jury Trial and Punitive Damages**

- A. The parties to this Agreement (as denominated in Section 30.04) explicitly waive their respective rights to a jury trial in any litigation between them and hereby stipulate that any such trial shall occur without a jury.
- B. You, your Guarantors and the other Franchisee Parties hereby irrevocably waive, to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special, consequential or other similar damages in any action or proceeding whatsoever between such parties and/or any of their affiliates and us and/or any of our affiliates, and you and such others covenant never to advance or pursue any such claim for punitive damages. You and such others agree that in the event of a dispute, you and such others shall be limited to the recovery from the Franchisor Parties of any actual damages sustained by you or them. You covenant to secure from any Franchisee Party which does not execute this Agreement his/her/its execution of a writing specified by us, in the Brand Standards or otherwise, irrevocably confirming the applicability to them of the provisions of this Section 30.05, in such manner and by such time we reasonably specify.

### **30.06 No Consolidated or Class Actions**

You and the other Franchisee Parties may only pursue any claim you have against us or the other Franchisor Parties in an individual legal action or proceeding. Neither you nor any other Franchisee Party shall join or combine its/their legal action or proceeding in any manner with any action or claim of any other Crafty Crab franchisee, franchise owner, franchisee guarantor, or other claimant, nor will you or any other Franchisee Party maintain any action or proceeding against us and the other Franchisor Parties in a class action, whether as a representative or as a member of a class or purported class, nor will you or any other Franchisee Party seek to consolidate, or consent to the consolidation of, all or part of any action or proceeding by any of them against us or the other Franchisor Parties with any other litigation against us or such other Franchisor Parties.

### **30.07 Limitation on Actions**

Any and all legal actions or proceedings brought by you against us or the other Franchisor Parties arising out of or related to this Agreement or any related agreement; any breach of this Agreement or any related agreement; the relations between such parties; and, any and all disputes between such parties, whether sounding in law or equity, must be commenced within two years from the occurrence of the acts, errors and/or omissions giving rise to such legal action or proceeding or within two years from the date on which you knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to such action or proceeding, whichever occurs first. If not, then you irrevocably covenant and agree that such action or proceeding shall be barred.

## **31. LIABILITY OF "FRANCHISEE"; GUARANTEE**

### **31.01 Liability of "Franchisee"**

The terms "Franchisee" and "you" as used in this Agreement will refer to each person executing this Agreement as Franchisee, whether that person is one of the spouses, partners, proprietors, shareholders, trustees, trustors or beneficiaries or persons named as included in you, and will apply to each of these persons as if he/she were the only named Franchisee in this Agreement. If you are a married couple, both husband and wife executing this Agreement will be liable for all your obligations and duties as Franchisee under this Agreement as if the spouse were the sole

Franchisee under this Agreement. If you are a partnership or proprietorship, or if more than one person executes this Agreement as Franchisee, each partner, proprietor or person executing this Agreement will be liable for all obligations and duties of Franchisee under this Agreement. If you are a trust, each trustee, grantor and beneficiary signing this Agreement will be liable for all the obligations and duties of Franchisee under this Agreement. If you are a business entity, all owners of such entity executing this Agreement will be liable for all obligations and duties of Franchisee under this Agreement as if each such owner were the sole franchisee under this Agreement.

### **31.02 Guarantee**

If you are a business entity, then we may require certain individuals or other entities (the "Guarantors") to guarantee all of your duties, requirements and obligations under this Agreement, both financial and non-financial, by executing a guarantee substantially in the form of Exhibit H (the "Guarantee"). In the event of the death of any Guarantor, we may require replacement guarantees sufficient in our sole business judgment to provide us with the same protection as we had originally bargained for.

If you are in breach or default under this Agreement, we may proceed directly against each such individual and/or entity Guarantor without first proceeding against you and without proceeding against or naming in the action or proceeding any other such Guarantor. Your obligations and those of each such Guarantor will be joint and several. Notice to or demand upon one such Guarantor will be considered notice to or demand upon you and all such Guarantors. No notice or demand need be made to or upon all such Guarantors. The cessation of or release from liability of you or any such Guarantor will not relieve you or any other Guarantor, as applicable, from liability under this Agreement, except to the extent that the breach or default has been remedied or money owed has been paid.

## **32. SURVIVAL**

### **32.01 Survival**

Any provision of this Agreement which imposes in any fashion, directly or indirectly, an obligation following the termination or expiration of this Agreement will survive the termination or expiration and will continue to be binding upon the parties to this Agreement. This Agreement will be binding upon and inure to the benefit of the parties, their heirs, successors and assigns.

## **33. OUR BUSINESS JUDGMENT**

### **33.01 Our Business Judgment**

Whenever this Agreement or any related agreement grants, confers or reserves to us the right to take action, refrain from taking action, grant or withhold our consent or grant or withhold our approval, unless the provision specifically states otherwise, we will have the right to engage in such activity at our option using our business judgment, taking into consideration our assessment of the long term interests of the System overall. You and we recognize, and any court or judge is affirmatively advised, that if those activities and/or decisions are supported by our business judgment, neither said court, said judge nor any other person reviewing those activities or decisions will substitute his, her or its judgment for our judgment. When the terms of this Agreement specifically require that we not unreasonably withhold our approval or consent, if you are in default or breach under this Agreement, any withholding of our approval or consent will be considered reasonable.

## **34. YOUR REPRESENTATIONS AND ACKNOWLEDGMENTS**

### **34.01 Your Representations**

You represent and warrant to us, with the intention that we are relying on your representations and warranties in entering into this Agreement, that:

1. If you are a business entity (including a corporation, limited liability company, general partnership or limited partnership), you are organized under the laws of the state of your principal place of business (or another state which you have identified to us) and your business entity is in good standing with and qualified to do business in each state and political/governmental subdivision having jurisdiction over your franchised Business.
2. If you are business entity, you have all requisite power and authority to execute, deliver, consummate and perform all of your obligations under this Agreement, and all necessary business entity proceedings have been duly taken to authorize the execution, delivery and performance of this Agreement.
3. This Agreement has been duly authorized, executed and delivered by you, includes your legal, valid and binding obligations, and will be binding and enforceable upon you and your successors and assigns in accordance with its terms when executed by both parties.
4. You do not have any liabilities, adverse claims, commitments or obligations of any nature as of the date of execution of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise which are not reflected as liabilities on the balance sheets of your current financial statements which you furnished to us before the execution of this Agreement.
5. As of the date of execution of this Agreement, there are no actions, suits, proceedings or investigations pending or, to your knowledge or the knowledge any of your officers, directors, shareholders, partners, members, managers, Guarantors, or any other owner of a direct or indirect, partial or whole interest in you (as applicable), after due inquiry, threatened, in any court or arbitral forum, or before any governmental agency or instrumentality, nor to the best of your knowledge or the knowledge of any such persons or entities (after due inquiry) is there any basis for any claim, action, suit, proceeding or investigation which affects or could affect, directly or indirectly, any of your assets, properties, rights or business; your right to operate and use your assets, properties or rights to carry on your business; and/or, which affects or could affect your right or ability to assume and carry out in all respects the duties, obligations and responsibilities specified in this Agreement.
6. All of your representations and warranties contained in this Agreement are complete, correct and accurate as of the date of execution of this Agreement and will survive any termination or expiration of this Agreement.

#### **34.02 Your Acknowledgments**

You represent, warrant and acknowledge to us that:

1. You understand that we do not represent that you will have the ability to procure any required license, permit, certificate or other governmental authorization that may be necessary or required for you to carry out the activities contemplated by this Agreement.
2. You acknowledge that you have received a complete copy of this Agreement and all related attachments and agreements at least seven (7) calendar days prior to the date on which this Agreement was executed. You further acknowledge that you have received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures" at least fourteen (14) calendar days prior to the date on which this Agreement was executed and at least fourteen (14) calendar days before the payment by you to us of any consideration in

connection with the sale or proposed sale of the franchise granted by this Agreement.

### **35. SUBMISSION OF AGREEMENT**

#### **35.01 Submission of Agreement**

Our tendering this Agreement to you does not constitute an offer. This Agreement will become effective only upon the execution of this Agreement by both us and you. The date that we execute this Agreement, referred to in this Agreement as the "Effective Date", will be considered the date of execution of this Agreement.

THIS AGREEMENT WILL NOT BE BINDING ON US UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF OURS.

YOU ACCEPT AND AGREE TO EACH AND ALL OF THE PROVISIONS, COVENANTS AND CONDITIONS OF THE FOREGOING AGREEMENT.

[Signature page follows.]

Dated: \_\_\_\_\_

Attest:

\_\_\_\_\_

Witness/Date

FRANCHISEE:

If a corporation or other entity:

\_\_\_\_\_  
(Name of Corporation or Other Entity)

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

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

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

If one or more individuals:

Dated: \_\_\_\_\_

Attest:

\_\_\_\_\_

Witness/Date

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

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

Dated: \_\_\_\_\_

Attest:

\_\_\_\_\_

Witness/Date

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

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

Dated: \_\_\_\_\_

Attest:

\_\_\_\_\_

Witness/Date

CRAFTY CRAB FRANCHISING LLC

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

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

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

**STATE ADDENDA TO CRAFTY CRAB FRANCHISING LLC FRANCHISE AGREEMENT**



## CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT

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

1. Section 3.04 of the Franchise Agreement (“Rights We Reserve”) states you waive and release any claims, demands or damages arising from or related to any of the activities described in this Section 3.04 and promise never to begin or join in any legal action or proceeding, or register a complaint with any government entity, directly or indirectly contending otherwise. This does not apply to franchises offered in/or sold in the State of California and is deleted in its entirety.
2. In Section 12.02 of the Franchise Agreement (“Covenant Not to Compete”), in the third paragraph thereof (which commences with the words “Further, during...”), the “no-poach” clause is removed – that is, the following specific words are removed: “(i) solicit for employment or hire our management personnel, the management personnel of any of our affiliates or the management personnel of any other franchised Business without first obtaining any written permission from us and the employer(s) of the personnel in question, or (ii)”. The remainder of the paragraph remains as is.
3. Section 12.02 of the Franchise Agreement (“Covenant Not to Compete”) contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
4. Section 16.01 of the Franchise Agreement (“Relationship of the Parties”), which provides that you are and will be our independent contractor, may not apply to franchises offered in/or sold in the State of California. California Assembly Bill 5 may mean that you are an employee. As an employee, you may be entitled to minimum wage, sick and family leave, unemployment and workers' compensation, expense reimbursements, protection from retaliation and discrimination, and any other benefits given to employees. You should research and consult with an attorney regarding California’s labor laws.
5. Section 30.04 of the Franchise Agreement (“Venue”) requires venue to be limited to the laws of the state, county and judicial district in which our principal place of business is then located (which is currently, Green Cove Springs, in Clay County, Florida). This provision may not be enforceable under California law.
6. No statement, questionnaire, or acknowledgement 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.
7. California Business and Professions Code 20000 through 20043 provide rights to the franchisee concerning transfer, termination, or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

8. With respect to franchises sold in California, upon the termination or nonrenewal of a franchise, a franchisor may offset against the amounts owed to a franchisee under Section 20022 of the California Business and Professions Code any amounts owed by the franchisee to the franchisor, provided the franchisee agrees to the amount owed or the franchisor has received a final adjudication of any amounts owed. Such proviso shall apply notwithstanding the Franchisor's general right of set-off referred to in Section 5.07(D) of the Franchise Agreement.
9. With respect to franchises sold in California, a franchisor is prohibited from modifying a franchise agreement, or requiring a general release, in exchange for any assistance related to a declared state or federal emergency.
10. This Addendum may be executed in counterparts, which together shall constitute one and the same instrument. Signatures via DocuSign, .PDF file, facsimile, or other electronic format have the same force and effect as originals.

[Signature page follows.]

Dated: \_\_\_\_\_

FRANCHISEE:

If an entity:

\_\_\_\_\_  
(Name of Entity)

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CRAFTY CRAB FRANCHISING LLC

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

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

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

## **HAWAII ADDENDUM TO FRANCHISE AGREEMENT**

1. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
2. This Addendum may be executed in counterparts, which together shall constitute one and the same instrument. Signatures via DocuSign, .PDF file, facsimile, or other electronic format have the same force and effect as originals.

[Signature pages follows.]

Dated: \_\_\_\_\_

FRANCHISEE:

If an entity:

\_\_\_\_\_  
(Name of Entity)

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CRAFTY CRAB FRANCHISING LLC

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

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

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

## **ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT**

1. Illinois law governs the Franchise Agreement(s).
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. No statement, questionnaire, or acknowledgement 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.
6. This Addendum may be executed in counterparts, which together shall constitute one and the same instrument. Signatures via DocuSign, .PDF file, facsimile, or other electronic format have the same force and effect as originals.

[Signature page follows.]

Dated: \_\_\_\_\_

FRANCHISEE:

If an entity:

\_\_\_\_\_  
(Name of Entity)

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CRAFTY CRAB FRANCHISING LLC

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

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

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

## INDIANA ADDENDUM TO FRANCHISE AGREEMENT

Notwithstanding anything to the contrary set forth in the Franchise Agreement, the following provisions will supersede and apply:

1. The laws of the State of Indiana supersede any provisions of the Franchise Agreement or New York law if such provisions are in conflict with Indiana law. The Franchise Agreement will be governed by Indiana law, rather than New York law, as stated in Section 30.03 of the Franchise Agreement (“Governing Law”).
2. Venue for litigation will not be limited to the state, county and judicial district in which our principal place of business is then located, as specified in Section 30.04 of the Franchise Agreement (“Venue”).
3. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as a material breach of the franchise agreement, will supersede the provisions of Article 17 of the Franchise Agreement (“Default and Termination”) in the State of Indiana to the extent they may be inconsistent with such prohibition.
4. No release language set forth in the Franchise Agreement will relieve the Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana.
5. Section 12.02 of the Franchise Agreement (“Covenant Not to Compete”) is revised to limit the geographical extent of the post-term covenant not to compete to Franchisee’s Territory for all franchises sold in the State of Indiana.
6. Section 12.04 of the Franchise Agreement (“Enforcement of Covenants Not to Compete”) will not apply to franchises offered and sold in the State of Indiana.
7. Section 23.01 of the Franchise Agreement (“Injunction”) will not apply to franchises offered and sold in the State of Indiana.
8. Section 30.05(B) of the Franchise Agreement (that is, part B of the section entitled “Waiver of Jury Trial and Punitive Damages”) is deleted from the Franchise Agreement.
9. Notwithstanding the terms of Section 8.10 of the Franchise Agreement (“Indemnification”), Franchisee will not be required to indemnify Franchisor and the other Indemnitees for any liability caused by Franchisee’s proper reliance on or use of procedures or materials provided by Franchisor or caused by Franchisor’s negligence.
10. No statement, questionnaire, or acknowledgement 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.



11. This Addendum may be executed in counterparts, which together shall constitute one and the same instrument. Signatures via DocuSign, .PDF file, facsimile, or other electronic format have the same force and effect as originals.

Dated: \_\_\_\_\_

FRANCHISEE:

If an entity:

\_\_\_\_\_  
(Name of Entity)

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CRAFTY CRAB FRANCHISING LLC

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

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

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

## MARYLAND ADDENDUM TO FRANCHISE AGREEMENT

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

1. The laws of the State of Maryland may supersede the Franchise Agreement, including the areas of termination and renewal of the Franchise.
2. The following language is added to Sections 13.01(H) (“Conditions to Successor Franchise Agreement”) and 14.04(O) (“Assignment By You – Sale To Third Party”) of the Franchise Agreement: Notwithstanding anything to the contrary herein, pursuant to COMAR 02.02.08.16L, 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.
3. Any claims arising under the Maryland Franchise Registration and Disclosure Laws must be brought within three years after the grant of the Franchise.
4. Section 30.04 of the Franchise Agreement (“Venue”) requires venue to be limited to the state, county and judicial district in which our principal place of business is then located (currently, Green Cove Springs, in Clay County, Florida). This provision is deleted from all Franchise Agreements for residents of the State of Maryland and/or franchises to be operated in the State of Maryland.
5. The following sentence is added at the end of Section 25.01 of the Franchise Agreement (“No Oral Modification”): “This Section is not intended to, nor will it, act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.”
6. No statement, questionnaire, or acknowledgement 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.
7. This Addendum may be executed in counterparts, which together shall constitute one and the same instrument. Signatures via DocuSign, .PDF file, facsimile, or other electronic format have the same force and effect as originals.

[Signature page follows]

Dated: \_\_\_\_\_

FRANCHISEE:

If an entity:

\_\_\_\_\_  
(Name of Entity)

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CRAFTY CRAB FRANCHISING LLC

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

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

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

## MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

Notwithstanding anything to the contrary set forth in the Franchise Agreement, the following provisions will supersede and apply:

1. The following language will appear at the end of Section 30.04 of the Franchise Agreement (“Venue”):

“Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.”

2. No release language set forth in the Franchise Agreement will relieve the Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Minnesota.
3. Minnesota law provides franchisees with certain termination and non-renewal rights. Minnesota Statutes, Section 80C.14, subdivisions 3, 4, and 5 require, except in certain specified cases, that franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement.
4. Franchisor will protect Franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
5. The second sentence of Section 12.04 of the Franchise Agreement (“Enforcement of Covenants Not To Compete”) is amended to read as follows:

“Accordingly, you consent to the seeking of an injunction prohibiting any conduct by you in violation of the terms of the covenants not to compete set forth in this Agreement.”

6. The third and fourth sentences of Section 23.01 of the Franchise Agreement (“Injunction”) is amended to read as follows:

“You therefore agree that if you engage in this non-compliance, or unauthorized and/or improper use of the System or Proprietary Marks, during or after the period of this Agreement, we will be entitled to seek both temporary and permanent injunctive relief against you from any court of competent jurisdiction, in addition to all other remedies which we may have at law. You consent to the seeking of these temporary and permanent injunctions.”

7. Any claims arising under Minnesota Statutes, Chapter 80C must be brought within three years after the cause of action accrues.
8. No statement, questionnaire, or acknowledgement 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, franchisee

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.

- 9. This Addendum may be executed in counterparts, which together shall constitute one and the same instrument. Signatures via DocuSign, .PDF file, facsimile, or other electronic format have the same force and effect as originals.

Dated: \_\_\_\_\_

FRANCHISEE:

If an entity:

\_\_\_\_\_  
(Name of Entity)

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CRAFTY CRAB FRANCHISING LLC

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

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

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

## NEW YORK ADDENDUM TO FRANCHISE AGREEMENT

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document or Franchise Agreement, the following provisions will supersede and apply to all franchises offered and sold under the laws of the State of New York:

1. The last sentence of the third paragraph of Section 7.01 of the Franchise Agreement (“Confidential Operating Brand Standards; Policy Statements”) is amended to read as follows:

“The Brand Standards and any additions, deletions, revisions or Supplements to the Brand Standards are material in that they will affect the operation of the franchised Business, but they will not conflict with or materially alter your rights and obligations under this Agreement or place an excessive economic burden on your operations.”

2. Sections 13.01(H) (“Conditions to Successor Franchise Agreement”) and 14.04(O) (“Assignment By You – Sale To Third Party”) of the Franchise Agreement are each amended to include the following language immediately following the requirement that Franchisee execute a General Release:

“Provided, however, that all rights enjoyed by Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will remain in force; it being the intent of this proviso that the non-waiver provisions of GBL, Section 687.4 and 687.5 be satisfied.”

3. The second sentence of Section 12.04 of the Franchise Agreement (“Enforcement of Covenants Not To Compete”) is amended to read as follows:

“Accordingly, you consent to the seeking of an injunction prohibiting any conduct by you in violation of the terms of the covenants not to compete set forth in this Agreement.”

4. The third and fourth sentences of Section 23.01 of the Franchise Agreement (“Injunction”) are amended to read as follows:

“You therefore agree that if you engage in this non-compliance, or unauthorized and/or improper use of the System or Proprietary Marks, during or after the period of this Agreement, we will be entitled to seek both temporary and permanent injunctive relief against you from any court of competent jurisdiction, in addition to all other remedies which we may have at law. You consent to the seeking of these temporary and permanent injunctions.”

5. No statement, questionnaire, or acknowledgement 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.
6. This Addendum may be executed in counterparts, which together shall constitute one and the same instrument. Signatures via DocuSign, .PDF file, facsimile, or other electronic format have the same force and effect as originals.

[Signature page follows.]

Dated: \_\_\_\_\_

FRANCHISEE:

If an entity:

\_\_\_\_\_  
(Name of Entity)

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CRAFTY CRAB FRANCHISING LLC

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

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

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

## **NORTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT**

Notwithstanding anything to the contrary set forth in the Franchise Agreement, the following provisions will supersede and apply:

1. The laws of the State of North Dakota supersede any provisions of the Franchise Agreement or New York law if such provisions are in conflict with North Dakota law. The Franchise Agreement will be governed by North Dakota law, rather than New York law, as stated in Section 30.03 of the Franchise Agreement (“Governing Law”).
2. Any provision in the Franchise Agreement which designates jurisdiction or venue or requires the Franchisee to agree to jurisdiction or venue, in a forum outside of North Dakota, is deleted from Franchise Agreements issued in the State of North Dakota. The site of any arbitration will be agreeable to all parties.
3. No release language set forth in the Franchise Agreement will relieve the Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of North Dakota.
4. Section 13.01(H) of the Franchise Agreement (“Conditions to Successor Franchise Agreement”) requires the execution of a general release upon renewal. This requirement is deleted from all Franchise Agreements used in the State of North Dakota.
5. Section 18.01 of the Franchise Agreement (“Further Obligations and Rights Following the Termination or Expiration of this Agreement”) may require franchisees to consent to termination or liquidated damages. This requirement is deleted from all Franchise Agreements used in the State of North Dakota.
6. Covenants restricting competition in the State of North Dakota, such as those found in Section 12.02 of the Franchise Agreement (“Covenant Not to Compete”), may be subject to Section 9-08-06 of the North Dakota Century Code. Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.
7. Section 30.04 of the Franchise Agreement (“Venue”) requires that the franchisee consent to the jurisdiction of courts situated in the state, county and judicial district in which our principal place of business is then located (currently Green Cove Springs, in Clay County, Florida). This requirement is deleted from all Franchise Agreements used in the State of North Dakota.
8. Section 30.05 of the Franchise Agreement (“Waiver of Jury Trial and Punitive Damages”) requires the franchisee consent to a waiver of trial by jury and punitive damages and exemplary damages. This requirement is deleted from all Franchise Agreements used in the State of North Dakota.
9. No statement, questionnaire, or acknowledgement 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.



10. This Addendum may be executed in counterparts, which together shall constitute one and the same instrument. Signatures via DocuSign, .PDF file, facsimile, or other electronic format have the same force and effect as originals.

Dated: \_\_\_\_\_

FRANCHISEE:

If an entity:

\_\_\_\_\_  
(Name of Entity)

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CRAFTY CRAB FRANCHISING LLC

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

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

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

## **RHODE ISLAND ADDENDUM TO FRANCHISE AGREEMENT**

Notwithstanding anything to the contrary set forth in the Franchise Agreement, the following provisions will supersede and apply:

1. Any provision in the Franchise Agreement which designates the governing law as that of any state other than the State of Rhode Island is deleted from Franchise Agreements issued in the State of Rhode Island.
2. Section 19-28.1.-14 of the Rhode Island Franchise Investment Act, as amended by laws of 1993, provides that "a provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."
3. No statement, questionnaire, or acknowledgement 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. This Addendum may be executed in counterparts, which together shall constitute one and the same instrument. Signatures via DocuSign, .PDF file, facsimile, or other electronic format have the same force and effect as originals.

[Signature page follows.]

Dated: \_\_\_\_\_

FRANCHISEE:

If an entity:

\_\_\_\_\_  
(Name of Entity)

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CRAFTY CRAB FRANCHISING LLC

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

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

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

## **VIRGINIA ADDENDUM TO FRANCHISE AGREEMENT**

Notwithstanding anything to the contrary set forth in the Franchise Agreement, the following provisions will supersede and apply:

1. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
2. This Addendum may be executed in counterparts, which together shall constitute one and the same instrument. Signatures via DocuSign, .PDF file, facsimile, or other electronic format have the same force and effect as originals.

[Signature page follows.]

Dated: \_\_\_\_\_

FRANCHISEE:

If an entity:

\_\_\_\_\_  
(Name of Entity)

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CRAFTY CRAB FRANCHISING LLC

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

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

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

## WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT, ACKNOWLEDGMENT AND RELATED MATERIALS

Notwithstanding anything to the contrary set forth in the Franchise Agreement, the following provisions will supersede and apply:

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
2. 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.
3. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. A release or waiver of rights executed by a Franchisee will not include rights under the Washington Franchise Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the Franchise 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, and rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
5. Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.
6. 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.
7. 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.
8. If any of the provisions in the franchise disclosure document or franchise agreement are inconsistent with the relationship provisions of RCW 19.100.180 or other requirements of the Washington Franchise Investment Protection Act, the provisions of the Act will prevail over the

inconsistent provisions of the franchise disclosure document and franchise agreement with regard to any franchise sold in Washington.

9. Sections 4.02 (“Successor Term and Successor Franchise Agreement”) and 13.01 (“Conditions to Successor Franchise Agreement”) describe the Franchisee’s right to enter into two (2) consecutive Successor Franchise Agreements and the conditions the Franchisee must satisfy in order to have the right to enter into a Successor Franchise Agreement, respectively. The Franchisor will have no obligation upon the termination of the second Successor Franchise Agreement to offer the Franchisee a continued right to operate its Crafty Crab Business, and the Franchisee may be required at that time to stop operating its restaurant as a Crafty Crab Restaurant and to comply with all post-termination obligations.
10. Regarding Section 8.13 (“Adequate Reserves and Working Capital”) of the Franchise Agreement, the Franchisor’s discretion shall be exercised in accordance with the good faith requirement in RCW 19.100.180(1).
11. Section 12.02 of the Franchise Agreement (“Covenant Not to Compete”), and the Confidentiality/Non-Competition Agreement attached to the Franchise Agreement, are each amended to add that non-parties to the Franchise Agreement are only bound to the confidentiality and non-competition provisions if they execute such Confidentiality/Non-Competition Agreement themselves.
12. Article 19 of the Franchise Agreement (“Our Option Upon Termination or Expiration”) will be interpreted in accordance with RCW 19.100.180, including that the franchisee’s inventory and supplies shall be purchased by the franchisor for not less than their fair market value offset by any amount owed by the franchisee to the franchisor.
13. Section 30.07 of the Franchise Agreement (“Limitation on Actions”) does not apply to Washington franchisees.
14. The securities offering review fee stated in Section 14.08 of the Franchise Agreement will be no greater than the actual and reasonable costs incurred by the franchisor for such a review.
15. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
16. This Addendum may be executed in counterparts, which together shall constitute one and the same instrument. Signatures via DocuSign, .PDF file, facsimile, or other electronic format have the same force and effect as originals.

[Signature page follows.]

Dated: \_\_\_\_\_

FRANCHISEE:

If an entity:

\_\_\_\_\_  
(Name of Entity)

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CRAFTY CRAB FRANCHISING LLC

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

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

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



## **WISCONSIN ADDENDUM TO FRANCHISE AGREEMENT**

Notwithstanding anything to the contrary set forth in the Franchise Agreement, the following provisions will supersede and apply:

1. The Wisconsin Fair Dealership Act, Wisconsin Statutes, Chapter 135 will apply to and govern the provisions of the Franchise Agreement.
2. That Act's requirement, including the requirements that, in certain circumstances, a franchisee receives ninety (90) days' notice of termination, cancellation, non-renewal or substantial change in competitive circumstances, and sixty (60) days to remedy claimed deficiencies, will supersede the requirements of Article 17 of the Franchise Agreement ("Default and Termination") to the extent they may be inconsistent with the Act's requirements.
3. No statement, questionnaire, or acknowledgement 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. This Addendum may be executed in counterparts, which together shall constitute one and the same instrument. Signatures via DocuSign, .PDF file, facsimile, or other electronic format have the same force and effect as originals.

[Signature page follows.]

Dated: \_\_\_\_\_

FRANCHISEE:

If an entity:

\_\_\_\_\_  
(Name of Entity)

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CRAFTY CRAB FRANCHISING LLC

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

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

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

**EXHIBIT A TO CRAFTY CRAB FRANCHISING LLC FRANCHISE AGREEMENT  
FRANCHISED TERRITORY; RESTAURANT LOCATION**

**FRANCHISED TERRITORY; RESTAURANT LOCATION**

1. The Territory as defined in Section 3.01 of the Franchise Agreement will consist of a \_\_\_\_\_ mile radius around the Restaurant Location.
  
2. The Restaurant Location as defined in Section 6.01 of the Franchise Agreement will consist of: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_.

Initials: Franchisor \_\_\_\_\_ Franchisee \_\_\_\_\_

**EXHIBIT B TO CRAFTY CRAB FRANCHISING LLC FRANCHISE AGREEMENT**

**PROPRIETARY MARKS**

## PROPRIETARY MARKS

The Proprietary Marks as defined in Section 1.01 of the Franchise Agreement will consist of:

1.

**CRAFTY CRAB**

2.



3.



4.



and such other and further Proprietary Marks (as defined in Section 1.01 of the Franchise Agreement) that we may from time to time license to you in conjunction with and addition to the Proprietary Marks listed above. Any such other and further Proprietary Marks will be deemed a part of this Exhibit B.

**EXHIBIT C TO CRAFTY CRAB FRANCHISING LLC FRANCHISE AGREEMENT  
REQUIRED PROVISIONS FOR LEASE RIDER**

## REQUIRED PROVISIONS FOR LEASE RIDER

Franchisor means CRAFTY CRAB FRANCHISING LLC and its successors and assigns with respect to the Franchise Agreement (the "Franchise Agreement"), dated \_\_\_\_\_, between Franchisor and \_\_\_\_\_ ("Franchisee/Tenant"). Franchisee/Tenant is the tenant under that certain lease agreement (the "Lease") pertaining to the space for a franchised Crafty Crab location with the lessor or sublessor of such space ("Landlord"), to which a rider containing these provisions is to be attached. All leases Franchisee enters into for the Crafty Crab location must contain a Rider with provisions acceptable to Franchisor providing the following, and the undersigned agree to the following:

1. After (a) the expiration of the Franchise Agreement (so long as Franchisor provides the Landlord with no less than sixty (60) days advance written notice thereof), or (b) the sooner termination of the Franchise Agreement for any reason (so long as Franchisor either provides the Landlord with (x) a copy of Franchisor's notice of termination to Franchisee/Tenant or (y) an agreement regarding the date of termination), Franchisor will have the right (but not the obligation) to cure any defaults within a reasonable period of time and at Franchisor's election, either to assume the obligations of and replace Franchisee/Tenant as the lessee under the Lease, or to have another franchisee, licensee, joint venture partner or other designee of Franchisor assume the obligations of and replace Franchisee/Tenant as the lessee under the Lease, in each case together with any applicable renewal options. If Franchisor assumes the obligations of and replaces Franchisee/Tenant as the lessee under the Lease and then subsequently reassigns the Lease to another franchisee, licensee, joint venture partner or other designee of Franchisor, upon any such reassignment, Franchisor shall be released from all prospective obligations of the lessee.
2. Simultaneous with giving notice to Franchisee/Tenant of any default, the Landlord will furnish to Franchisor written notice specifying such default and the method of curing the default; allow Franchisor thirty (30) days after receipt of the notice to cure the defaults (except that (i) if the default is the non-payment of rent, Franchisor will have only fifteen days from receipt of notice to cure the default, and (ii) if the default is of such a nature that it cannot, with the exercise of reasonable diligence, be cured within thirty (30) days, the time for cure shall be extended to be the same as that set forth in the Lease); and, allow Franchisor to exercise Franchisor's option for Franchisor or another franchisee, licensee, joint venture partner or other designee of Franchisor to succeed to Franchisee/Tenant's interest in the Lease under the same conditions as set forth in par. '1', above.
3. The Landlord will accept Franchisor or another party designated by Franchisor as a substitute tenant under the Lease upon notice from Franchisor that Franchisor is exercising Franchisor's option for Franchisor or another franchisee, licensee, joint venture partner or other designee of Franchisor to succeed to Franchisee/Tenant's interest in the Lease (together with any applicable renewal options) and/or to reassign the Lease to another franchisee following Franchisor's assumption of obligations under the Lease, under the same conditions as set forth in par.'1', above.
4. The required provisions in '1', '2', and '3', above, are rights but not obligations for Franchisor to assume Franchisee/Tenant's rights and responsibilities under the Lease (together with any applicable renewal options). In the event that Franchisor does so, then Landlord and Franchisor shall enter into an agreement to document such assumption in a form reasonably acceptable to Landlord and Franchisor. If Franchisor does exercise the above-described option to assume the Lease, then upon Franchisor's request and at



Franchisor's expense, Landlord will exercise its rights under the Lease to remove and evict Tenant from the subject premises. The parties agree to execute any commercially reasonable documents in furtherance of this section.

5. The Landlord acknowledges that Franchisee/Tenant alone is responsible for all debts, payments and performances under the Lease before Franchisor or another franchisee, licensee, joint venture partner or other designee of Franchisor takes actual possession of the premises.

6. The Lease may not be modified or amended without Franchisor's advance written consent, which Franchisor may not unreasonably withhold. The Landlord will provide Franchisor with copies of all proposed modifications or amendments of the Lease at least 30 days prior to their execution and true and correct copies of the executed modifications and amendments.

7. The Landlord agrees to furnish Franchisor with copies of all letters and notices sent to Franchisee/Tenant pertaining to the Lease and the premises, at the same time and in the same manner that these letters and notices are sent to Franchisee/Tenant.

8. During the term of the Lease and for a reasonable period after the termination, expiration or transfer of either the Lease or the Franchise Agreement, Franchisor (or its authorized representative) shall have the right to enter the subject premises to make any modification or alteration necessary (with prior consent to Landlord for any structural work or work affecting building systems) to protect the Crafty Crab System and brand or to cure any default under the Franchise Agreement or under the Lease, without being guilty of trespass or any other crime or tort (and neither Franchisee/Tenant nor Landlord shall ever allege otherwise). Landlord shall not be responsible for any expenses or damages arising from any such action by Franchisor. Franchisee/Tenant, on behalf of itself, its owners and affiliates, hereby irrevocably waives its rights to any claim against Franchisor and Landlord, their respective subsidiaries, affiliates, owners, employees, agents and representatives of each of them, with respect to any and all demands, accounts, actions and causes of action, known or unknown, vested or contingent, which Tenant or its owners or affiliates may have, ever had, now has, or may hereafter have by reason of any event, transaction or circumstance arising out of or relating to the exercise of Franchisor's rights pursuant to this Rider. Landlord acknowledges that Franchisor has a prior right, title and interest in and to any such trademarked property, proprietary software, equipment, furniture and fixtures, notwithstanding any agreement between the Landlord and any lender of the Landlord with respect thereto. Landlord shall also provide Franchisor full access to all sales and other information to which Landlord has access and which is requested by Franchisor relating to the Crafty Crab unit at the subject premises.

SIGNED:

LANDLORD:

FRANCHISEE/TENANT:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT D TO CRAFTY CRAB FRANCHISING LLC FRANCHISE AGREEMENT  
SOFTWARE LICENSE AGREEMENT**

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## SOFTWARE LICENSE AGREEMENT

THIS SOFTWARE LICENSE AGREEMENT (this "Agreement") is made and entered into and effective as of \_\_\_\_\_ between CRAFTY CRAB FRANCHISING LLC, a Florida limited liability company with its principal office at 3525 Enterprise Way, Green Cove Springs, Florida 32043 ("Licensor") and \_\_\_\_\_ whose principal address is \_\_\_\_\_ ("Licensee").

### 1. GRANT OF LICENSE

#### 1.01 Grant of License

Licensor grants to Licensee a nontransferable, nonexclusive single-site license for the use of those computer programs, system documentation manuals and other materials (hereinafter collectively referred to as "Crafty Crab Software" or the "Software") supplied by Licensor to Licensee during the term of this Agreement.

#### 1.02 Revisions, Additions and Deletions

Licensor may, from time to time, revise the Crafty Crab Software or any part of the Software. In doing so, Licensor incurs no obligation to furnish these revisions to Licensee. Licensor reserves the right to add and/or delete, at its sole option, computer programs and/or features to the Crafty Crab Software. If Licensor furnishes Licensee with revisions or additions to the Crafty Crab Software, Licensor specifically reserves the right to charge Licensee for them at the prices and on the terms that Licensor determines at its sole option, including, without limitation, any costs associated with installation of computer hardware, equipment, connections, data systems, software, etc. Any updates, replacements, revisions, enhancements, additions or conversions to the Crafty Crab Software furnished by Licensor to Licensee will become part of the "Software" under this Agreement and subject to this Agreement.

#### 1.03 Rights of Licensor

Licensee recognizes that Licensor is supplying the Crafty Crab Software and all additional materials and information, including but not limited to all processes, ideas, data and printed material, to Licensee subject to Licensor's proprietary rights. Licensee agrees with Licensor that the Crafty Crab Software and all information and/or data supplied by Licensor in any form, including but not limited to machine-readable and/or printed form, are trade secrets of Licensor embodying substantial creative efforts and confidential information, ideas, and expressions, are protected by civil and criminal law, and by the law of copyright, are very valuable to Licensor, and that their use and disclosure must be carefully and continuously controlled. Accordingly, Licensee agrees to treat (and take precautions to ensure that its employees treat) the Software as confidential in accordance with the confidentiality requirements and conditions set forth in this Agreement. Licensor is not obligated to provide and Licensee acquires no right of any kind under this Agreement with respect to any source code for the Software.

#### 1.04 Title

Licensor retains title to the Crafty Crab Software, the system documentation manuals, any additional materials and information furnished by Licensor in any form (including but not limited to object, machine-readable and/or printed form). Licensee agrees to keep every item to which Licensor retains title free and clear of all claims, liens and encumbrances except those of Licensor. Any act of Licensee, voluntary or involuntary, purporting to create a claim, lien or encumbrance on such an item will be void.

#### 1.05 No Other Rights Granted

Apart from the license rights specifically enumerated in this Agreement, this Agreement does not include a grant to Licensee of any ownership right, title or interest, nor any security interest or other

interest, in any Intellectual Property Rights (as defined in the following sentence) relating to the Software or any part of the Software. "Intellectual Property Rights" means any and all rights to exclude under patent law, copyright law, moral rights law, trade-secret law, semiconductor chip protection law, trademark law, unfair competition law or other similar rights.

## 2. TERM

### 2.01 Term

This License Agreement is effective from the date of execution by Licensor and will remain in full force so long as Licensee remains a Franchisee in good standing under to the Crafty Crab Franchise Agreement entered into between CRAFTY CRAB FRANCHISING LLC and Licensee, dated \_\_\_\_\_ (the "Franchise Agreement"). The Franchise Agreement is incorporated in this Agreement as though set forth in full.

## 3. RESTRICTIONS ON LICENSEE

### 3.01 Single-Site Use

The Crafty Crab Software and other materials provided under this Agreement may be used only on a single central processing unit (referred to as the "CPU") and its associated networked peripheral units at the same site. "Use" of a program will consist either of copying any portion of the program from storage of units or media into the CPU, or the processing of data with the program, or both. Licensee agrees to keep all programs, documentation and materials in any form (including but not limited to object, machine-readable and/or printed form) supplied under this license in a secure place, under access and use restrictions satisfactory to Licensor, and not less strict than those applied to Licensee's most valuable and sensitive programs. In the event that the CPU becomes inoperable, Licensee shall have the right to temporarily move the Software to a back-up system at the same site, for a reasonable period of time, while the CPU is inoperable. Licensee shall provide Licensor with written notice within five (5) days of any such movement.

Licensee shall be exclusively responsible for the supervision, management and control of its use of the Software and the operating environment, including, but not limited to: (i) assuring proper audit controls and operating methods; (ii) establishing adequate back-up plans in the event of a Software or hardware malfunction, including restart and recovery procedures; (iii) implementing sufficient procedures and checkpoints to satisfy its requirements for security and accuracy of input and output; and (iv) maintaining the proper operating environment for the Software.

### 3.02 Copies

Licensee agrees that while this license is in effect, or while Licensee has custody or possession of any property of Licensor, and except as provided in the following paragraph, Licensee will not (a) copy or duplicate, or permit anyone else to copy or duplicate, any physical or magnetic version of the Crafty Crab Software or other information furnished by Licensor in any form (including but not limited to object, machine-readable and/or printed form), or (b) create or attempt to create, or permit others to create or attempt to create, by reverse engineering or otherwise, the source programs or any part of them from the object program or from any other information made available under this license or otherwise (whether oral, written, tangible or intangible).

Notwithstanding the foregoing, any Crafty Crab Software or additional material which is provided by Licensor in any form (including but not limited to object, machine-readable and/or printed form) may be copied, in whole or in part, solely for the use of Licensee at Licensee's address stated above, for archive or emergency restart purposes, to replace a worn copy, or to understand the contents of such machine-readable material, provided, however, that no more than three printed copies and three object or machine-readable copies will be in existence under this license at any one time without prior written consent from Licensor. The original, and any copies, in whole or in part, of Crafty Crab Software and/or additional materials supplied to Licensee by Licensor, which are made under this Agreement, will be the property of Licensor for all purposes.

Licensee agrees to maintain appropriate records of the number and location of all copies of the Software and make such records available upon Licensor's request. Licensee further agrees to reproduce all copyright and other proprietary notices on all copies of the Software in the same form and manner that such copyright and other proprietary notices are originally included on the Software

Licensee agrees to keep any copies and the original at Licensee's address stated above, except that the Licensee may transport or transmit a copy or the original of any licensed program to another location for back-up use when required by CPU malfunction, provided that, when the malfunction is corrected, the copy or the original is destroyed or returned to Licensee's above address.

Licensee agrees to respect and not to remove, obliterate, or cancel from view any copyright, trademark, confidentiality or other proprietary notice, mark, or legend appearing on any of the Software or output generated by the Software, and to reproduce and include same on each copy of the Software.

### **3.03 No Reverse Engineering or Modification**

Licensee agrees that while this license is in effect, or while Licensor has custody or possession of any property of Licensor, Licensee will not modify, translate, enhance, merge, reverse engineer, reverse assemble, disassemble, or decompile the Software or any portion of the Software, derive the source code or the underlying ideas, algorithms, structure or organization form of the Software or any portion thereof or otherwise reduce the Software or any portion of the Software to human-readable form. Licensee may not, and may not attempt to, defeat, avoid, by-pass, remove, deactivate or otherwise circumvent any software protection mechanisms in the Software including, without limitation, any such mechanism used to restrict or control the functionality of the Software.

### **3.04 Transfer of Software**

If Licensee transfers possession of any copy, modification, translation or merged portion of the Crafty Crab Software to another party, the attempt at transfer is void and this license is automatically terminated.

## **4. PROTECTION AND SECURITY**

### **4.01 Non-Disclosure**

Licensee agrees not to disclose, publish, display, translate, release, transfer or otherwise make available the Crafty Crab Software, any part of the Software or any other materials furnished by Licensor in any form (or any copy of any of the foregoing) to any person, without the written consent of Licensor, which may be withheld with or without cause. Licensee agrees that it will take all necessary action including, but not necessarily limited to, instructing and entering into agreements with all of Licensee's employees, agents, representatives, affiliates, subsidiaries, and/or other third persons/entities associated with Licensee to protect the copyright and trade secrets of Licensor in and to those materials licensed under this Agreement and to assure Licensee's compliance with its obligations under this Agreement. Licensee shall use its best efforts to assist Licensor in identifying and preventing any unauthorized use, copying or disclosure of the Software or any portions thereof. Without limitation of the foregoing, Licensee shall advise Licensor immediately in the event Licensee learns or has reason to believe that any person who Licensee has given access to the Software, or any portion thereof, has violated or intends to violate the terms of this Agreement. The provisions of this Section 4.01 will survive the termination of this Agreement. Licensee shall not rent, lease, loan, distribute, sell, sublicense or encumber the Software.

Licensee shall not create any derivative works from the Software. Licensee agrees that any derivative works created by Licensee from the Software, including, but not limited to, software or other electronic works, are considered derivative works under U.S. law and that use of the derivative work is subject to the terms and conditions of this License Agreement. Derivative works may not be sublicensed, sold, leased, rented, lent, or given away without written permission from Licensor.

Licensor will not be responsible for unauthorized, modified and/or regenerated software or derivative works.

Licensee understands and agrees that Licensor may from time to time adopt whatever mechanical or other electronic methods that Licensor deems necessary (in its sole and exclusive judgment) to prevent the unauthorized use and/or distribution of the Crafty Crab Software.

#### **4.02 Off-Site Communications Lines**

Licensee may not permit the computer programs licensed under this Agreement to be transmitted over any off-site communications lines for any purpose.

### **5. UNAUTHORIZED ACTS**

#### **5.01 Unauthorized Acts**

Licensee agrees to notify Licensor immediately of the unauthorized possession, use or knowledge of any item supplied through this license and of other information made available, to Licensee under this Agreement, by any person or organization not authorized by this Agreement to have such possession, use or knowledge. Licensee agrees to promptly furnish full details of the possession, use or knowledge to Licensor, to assist in preventing the recurrence of the possession, use or knowledge, and to cooperate with Licensor in any litigation against third parties deemed necessary by Licensor to protect its proprietary rights. Licensee's compliance with this paragraph will not be construed in any way as a waiver of Licensor's rights to recover damages or obtain other relief against Licensee for its negligent or intentional harm to Licensor's proprietary rights, or for breach of Licensor's contractual rights.

#### **5.02 Export Law Assurances.**

Licensee may not use or otherwise export or reexport the Software except as authorized by United States law and the laws of the jurisdiction in which the Software was obtained. In particular, but without limitation, the Software may not be exported or reexported: (i) into, or to a national or resident of, any U.S. embargoed country, or (ii) to anyone on the U.S. Treasury Department's list of Specially Designated Nationals, the U.S. Department of Commerce's Table of Denial Orders or to whom export or reexport is prohibited by the United States Department of Treasury Office of Foreign Assets Control ("OFAC") or any other United States or foreign agency or authority. Licensee represents and warrants that Licensee is not located in, under control of, or a national or resident of any such country or on any such list.

### **6. INSPECTION**

#### **6.01 Inspection**

To assist Licensor in the protection of its proprietary rights, Licensee agrees to permit representatives of Licensor to inspect, at all reasonable times, any location at which items supplied under this Agreement are being used or kept.

### **7. ASSIGNMENT OF LICENSE RIGHTS**

#### **7.01 Assignment by Licensor**

Licensor will have the right to assign this Agreement, and all of its rights and privileges under this Agreement, to any person, firm, corporation or other entity provided that, with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Licensor under this Agreement: (i) the assignee must, at the time of the assignment, be financially responsible and economically capable of performing the obligations of Licensor under this Agreement, and (ii) the assignee must expressly assume and agree to perform these obligations.

## **7.02 Assignment by Licensee**

With respect to Licensee's obligations under this Agreement, this License Agreement is personal, being entered into in reliance upon and in consideration of the singular personal skill and qualifications of Licensee, and the trust and confidentiality reposed in Licensee by Licensor. Therefore, neither Licensee's interest in this Agreement nor any of Licensee's rights or privileges under this Agreement, may be assigned, sold, transferred, shared, redeemed, sublicensed or divided, voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, in any manner, without the prior written consent of Licensor. Any actual or attempted assignment, transfer or sale of this Agreement, or any interest in this Agreement, or of the franchised business, made or accomplished in violation of the terms of this Article will be null and void and will constitute an incurable breach of this Agreement by Licensee, and, if this occurs, this Agreement will automatically terminate without further notice.

## **8. INJUNCTION**

### **8.01 Injunction**

Licensee acknowledges that the unauthorized use, modification, transfer or disclosure of the Software or copies thereof will (i) substantially diminish the value to Licensor of the trade secrets and other proprietary interests that are the subject of this Agreement; (ii) render Licensor's remedy at law for such unauthorized use, disclosure or transfer inadequate; and (iii) cause irreparable injury in a short period of time. If Licensee breaches any of its obligations with respect to the use or confidentiality of the Software or if Licensee attempts to use, copy, modify, license, or convey the items supplied by Licensor under this Agreement, in a manner contrary to the terms of this Agreement, in competition with Licensor or in derogation of Licensor's proprietary rights (whether these rights are explicitly stated in this Agreement, determined by law or otherwise), then Licensor shall be entitled to equitable relief to protect its interests therein, including, but not limited to, preliminary and permanent injunctive relief, without having to post bond or other security.

## **9. DEFAULT AND TERMINATION**

### **9.01 Termination**

If the Franchise Agreement is terminated by either party for any reason or expires, then upon the effective date of the termination or expiration of the Franchise Agreement, this Agreement will automatically terminate without notice to Licensee.

Licensor reserves the right to immediately terminate this License Agreement, at Licensor's sole and exclusive option, if Licensee breached any term of this Agreement or of the Franchise Agreement. This termination will be without prejudice to any right or claims Licensor may have and all rights granted under this Agreement will immediately revert to Licensor. If Licensor terminates this Agreement, Licensee agrees to return to Licensor all property of and/or materials supplied by Licensor immediately after the termination.

The termination or expiration of this Agreement or of the Franchise Agreement for any reason whatsoever will not relieve Licensee of its obligations of confidentiality, protection and security under this Agreement, or of the restriction on copying and use as provided in this Agreement, with respect to the Crafty Crab Software.

Upon termination or expiration of this Agreement or of the Franchise Agreement for any reason, Licensee agrees to immediately return to Licensor the Crafty Crab Software, including, without limitation, all computer software, disks, tapes and other magnetic storage media (and any future technological substitutions for any of them) in good condition, allowing for normal wear and tear.

### **9.02 Cross-Default**

Any default or breach by Licensee (or any of its affiliates) of any other agreement between Licensor, or its parent or the subsidiary, affiliate or designee of either entity (collectively, Licensor's "Affiliates") and Licensee (or any of its affiliates) will be deemed a default under this Agreement, and



any default or breach of this Agreement by Licensee (or any of its affiliates) will be deemed a default or breach under any and all other agreements between Licensor (or any of its Affiliates) and Licensee (or any of its affiliates). If the nature of such default under any other agreement would have permitted Licensor to terminate this Agreement if default had occurred under this Agreement, then Licensor (or its Affiliates) will have the right to terminate all the other agreements between Licensor (or its Affiliates) and Licensee (or any of its affiliates) in the same manner provided for in this Agreement for termination of this Agreement.

## **10. BINDING EFFECT**

### **10.01 Binding Effect**

Licensee agrees that this Agreement binds the named Licensee and each of its employees, agents, representatives and persons associated with it. This Agreement further binds each affiliated and subsidiary firm, corporation, or other organization and any person, firm, corporation or other organization with which the Licensee may enter a joint venture or other cooperative enterprise.

## **11. SECURITY INTEREST**

### **11.01 Security Interest**

Licensee hereby gives to Licensor a security interest in and to the Crafty Crab Software and other materials furnished under this Agreement as security for Licensee's performance of all its obligations under this Agreement, together with the right, without liability, to repossess the Crafty Crab Software and other materials licensed under this Agreement, with or without notice, in the event of default in any of Licensee's obligations under this Agreement.

## **12. WAIVER OR DELAY; INTEGRATION; AMENDMENT**

### **12.01 Waiver or Delay**

No waiver or delay in either party's enforcement of any breach of any term, covenant or condition of this Agreement shall be construed as a waiver by such party of any preceding or succeeding breach, or any other term, covenant or condition of this Agreement; and, without limitation upon any of the foregoing, the acceptance of any payment specified to be paid by Licensee under this Agreement shall not be, nor be construed to be, a waiver of any breach of any term, covenant or condition of this Agreement.

### **12.02 Integration**

This Agreement and all ancillary agreements executed contemporaneously with this Agreement constitute the entire agreement between the parties with reference to the subject matter of this Agreement and supersede any and all prior negotiations, understandings, representations and agreements; provided, however, that, and that this Agreement is not to limit any rights that Licensor may have under trade secret, copyright, patent, or other laws that may be available to it. Licensee acknowledges that that the Agreement does not include any other prior or contemporaneous promises, representations, or descriptions regarding the Software. Notwithstanding the foregoing however, nothing in this Section is intended to disclaim the representations Licensor made in the Franchise Disclosure Document that it provided to Licensee.

### **12.03 Amendment**

This Agreement may not be amended orally, but may be amended only by a written instrument signed by the parties hereto.

## **13. DISCLAIMER**

### **13.01 DISCLAIMER**

LICENSOR WARRANTS AND REPRESENTS THAT IT HAS THE AUTHORITY TO EXTEND

THE RIGHTS GRANTED TO LICENSEE IN THIS AGREEMENT. THIS EXPRESS WARRANTY IS EXCLUSIVE AND IN LIEU OF, AND LICENSOR HEREBY DISCLAIMS, ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY, OF FITNESS OR ADEQUACY FOR ANY PARTICULAR PURPOSE OR USE (WHETHER OR NOT LICENSOR KNOWS, HAS REASON TO KNOW, HAS BEEN ADVISED OR IS OTHERWISE IN FACT AWARE OF ANY SUCH PURPOSE); WARRANTIES OF QUALITY OR PRODUCTIVENESS, CAPACITY, ACCURACY OR SYSTEM INTEGRATION; IMPLIED WARRANTIES AGAINST INFRINGEMENT OF ANY INTELLECTUAL PROPERTY RIGHTS OF A THIRD PARTY; AND, WARRANTIES AGAINST INTERFERENCE WITH LICENSEE'S ENJOYMENT OF THE LICENSED INFORMATION OR LICENSED INFORMATIONAL RIGHTS. IT IS SPECIFICALLY UNDERSTOOD AND AGREED THAT THE LICENSED SOFTWARE AND OTHER INFORMATION MADE AVAILABLE HEREUNDER BY LICENSOR ARE MADE AVAILABLE ON AN "AS-IS" BASIS AND THAT THE ENTIRE RISK AS TO SATISFACTORY QUALITY, PERFORMANCE, ACCURACY AND EFFORT IS WITH LICENSEE. LICENSOR WILL NOT BE LIABLE (WHETHER IN CONTRACT, WARRANTY, TORT, OR OTHERWISE) TO LICENSEE, THIRD PARTIES, OR ANY OTHER PERSON CLAIMING THROUGH OR UNDER LICENSEE, FOR ANY DAMAGES OR EXPENSES, INCLUDING BUT NOT LIMITED TO, ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, SPECIAL, EXEMPLARY OR PUNITIVE DAMAGES, LOST DATA, DOWNTIME COSTS, LOST PROFITS AND/OR LOST BUSINESS, ARISING OUT OF OR IN CONNECTION WITH ANY USE, OR INABILITY TO USE, ANY OF THE LICENSED SOFTWARE, MATERIALS OR INFORMATION FURNISHED, INCLUDING, WITHOUT LIMITATION, DAMAGES FOR LOSS OF GOODWILL, WORK STOPPAGE, COMPUTER FAILURE OR MALFUNCTION, BUSINESS INTERRUPTION OR ANY AND ALL OTHER COMMERCIAL DAMAGES OR LOSSES, WHETHER CAUSED BY DEFECT, NEGLIGENCE, BREACH OF WARRANTY, DELAY IN DELIVERY OR OTHERWISE, REGARDLESS OF THE THEORY OF LIABILITY (WHETHER TORT, CONTRACT, STRICT LIABILITY, OR OTHERWISE), EVEN IF LICENSOR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES OR EXPENSES. FURTHER, NO OBLIGATION OR LIABILITY WILL ARISE OR FLOW OUT OF LICENSOR'S RENDERING OF TECHNICAL OR OTHER ADVICE IN CONNECTION WITH THE SOFTWARE OR ANY EQUIPMENT USED WITH THE SOFTWARE. LICENSOR DOES NOT REPRESENT OR WARRANT THAT THE OPERATION OF THE SOFTWARE WILL BE UNINTERRUPTED OR ERROR-FREE OR MEET ANY SPECIFIC REQUIREMENTS, THAT THE SOFTWARE WILL BE FREE OF VIRUSES, WORMS, OTHER HARMFUL COMPONENTS OR OTHER PROGRAM LIMITATIONS OR THAT ANY DEFECTS OR ERRORS IN THE SOFTWARE WILL BE CORRECTED. THIS DISCLAIMER OF WARRANTY CONSTITUTES AN ESSENTIAL PART OF THIS AGREEMENT. NO AGENT OF LICENSOR IS AUTHORIZED TO ALTER OR EXCEED THE WARRANTY OBLIGATIONS OF LICENSOR AS SET FORTH HEREIN. NO USE OF THE PRODUCT IS AUTHORIZED HEREUNDER EXCEPT UNDER THIS DISCLAIMER; PROVIDED, HOWEVER, THAT SOME STATES OR JURISDICTIONS DO NOT ALLOW EXCLUSIONS OF AN IMPLIED WARRANTY AND SOME STATES OR JURISDICTIONS DO NOT ALLOW THE LIMITATION OR EXCLUSION OF LIABILITY FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES, SO THAT THIS DISCLAIMER MAY NOT APPLY TO LICENSEE. TO THE EXTENT THAT LICENSOR MAY NOT, AS A MATTER OF APPLICABLE LAW, DISCLAIM ANY WARRANTY, THE SCOPE AND DURATION OF SUCH WARRANTY SHALL BE THE MINIMUM PERMITTED UNDER APPLICABLE LAW.

#### **14. LIMITATION OF LIABILITY**

##### **14.01 LIMITATION OF LIABILITY**

LICENSOR'S LIABILITY FOR DAMAGES UNDER THIS AGREEMENT, REGARDLESS OF THE FORM OF ACTION AND REGARDLESS OF THE LEGAL THEORY, WILL NOT EXCEED THE COST OF REPLACEMENT OF THE SOFTWARE LICENSED UNDER THIS AGREEMENT. THIS WILL BE LICENSEE'S SOLE AND EXCLUSIVE REMEDY. NO ACTION, REGARDLESS OF FORM, ARISING OUT OF ANY PARTY'S OBLIGATIONS UNDER THIS AGREEMENT MAY BE BROUGHT BY EITHER PARTY MORE THAN ONE YEAR AFTER THE CAUSE OF ACTION HAS ACCRUED,

EXCEPT THAT AN ACTION FOR NONPAYMENT MAY BE BROUGHT WITHIN ONE YEAR OF THE DATE OF LAST PAYMENT.

## **15. SEVERABILITY**

### **15.01 Severability**

Nothing contained in this Agreement may be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provision of this Agreement and any present or future statute, law, ordinance or regulation required to be made applicable to this Agreement, the latter will prevail, but the affected provision of this Agreement will be curtailed and limited only to the extent necessary to bring it within the requirement of the law. If any article, section, sentence or clause of this Agreement is held to be indefinite, invalid or otherwise unenforceable, the entire Agreement will not fail for this reason, and the balance of the Agreement will continue in full force and effect. If any court of competent jurisdiction deems any provision of this Agreement (other than for the payment of money) so unreasonable as to be unenforceable as a matter of law, the court may declare a reasonable modification of this Agreement and this Agreement will be valid and enforceable, and the parties agree to be bound by and perform this Agreement as so modified.

## **16. GOVERNING LAW; VENUE**

### **16.01 Governing Law**

This Agreement; all relations between the parties; and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, is to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of New York without recourse to New York (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of the State of New York, and if the franchised business is located outside of New York and the provision would be enforceable under the laws of the state in which the franchised business is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Section intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, unfair or deceptive trade practice, fiduciary or any other doctrine of law of the State New York or any other state, which would not otherwise apply.

### **16.02 Venue**

Any litigation arising out of or related to this Agreement; any breach of this Agreement; the relations between the parties; and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, will be instituted exclusively in a court of competent jurisdiction situated in the state, county and judicial district in which Licensor's principal place of business is then located (currently Green Cove Springs, in Clay County, Florida). Licensee agrees that any dispute as to the venue for this litigation will be submitted to and resolved exclusively by a court of competent jurisdiction situated in the state, county and judicial district in which Licensor's principal place of business is then located (currently Green Cove Springs, in Clay County, Florida). Licensee hereby waives and covenants never to assert or claim that this venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of *forum non conveniens*).

## **17. COSTS OF ENFORCEMENT; ATTORNEYS' FEES**

### **17.01 Costs of Enforcement**

Licensor will be entitled to recover from Licensee reasonable attorneys' fees, experts' fees, court costs and all other expenses of litigation, if Licensor prevails in any action instituted against Licensee in order to secure or protect those rights inuring to Licensor under this Agreement, or to enforce the terms of this Agreement.

## **17.02 Attorneys' Fees**

If Licensor becomes a party to any litigation or other proceeding concerning this Agreement by reason of any act or omission of Licensee or Licensee's authorized representatives and not by any act or omission of Licensor or any act or omission of Licensor's authorized representatives, or if Licensor becomes a party to any litigation or any insolvency proceedings pursuant to the bankruptcy code or any adversary proceeding in conjunction with an insolvency proceeding, Licensee will be liable to Licensor for reasonable attorneys' fees, experts' fees and court costs incurred by Licensor in the litigation or other proceeding regardless of whether the litigation or other proceeding or action proceeds to judgment. In addition, Licensor will be entitled to add all costs of collection, interest, attorneys' fees and experts' fees to its proof of claim in any insolvency proceedings filed by Licensee.

## **18. SUBMISSION OF AGREEMENT**

### **18.01 Submission of Agreement**

The submission of this Agreement does not constitute an offer and this Agreement will become effective only upon execution of this Agreement by both Licensor and Licensee. Licensor's date of execution will be considered the date of execution of this Agreement.

THIS AGREEMENT WILL NOT BE BINDING ON LICENSOR UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF LICENSOR. LICENSEE HAS READ ALL OF THE FOREGOING AGREEMENT AND HEREBY ACCEPTS AND AGREES TO EACH AND ALL OF THE PROVISIONS, COVENANTS AND CONDITIONS THEREOF.

Dated: \_\_\_\_\_

Attest:

\_\_\_\_\_  
Witness/Date

LICENSEE:

If a corporation or other entity:

\_\_\_\_\_  
(Name of Corporation or Other Entity)

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If one or more individuals:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

Attest:

\_\_\_\_\_  
Witness/Date

LICENSOR:

CRAFTY CRAB FRANCHISING LLC

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

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

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

**ILLINOIS ADDENDUM TO SOFTWARE LICENSE AGREEMENT**

The provisions of the Software License Agreement concerning governing law, jurisdiction and choice of law will not constitute a waiver of any right conferred upon Franchisee by the Illinois Franchise Disclosure Act. Consequently, Sections 16.01 (“Governing Law”) and 16.02 (“Venue“) of the Software License Agreement will be deleted for all Illinois franchisees.

Dated: \_\_\_\_\_

LICENSEE:

If an entity:

\_\_\_\_\_  
(Name of Entity)

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CRAFTY CRAB FRANCHISING LLC

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

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

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

**INDIANA ADDENDUM TO SOFTWARE LICENSE AGREEMENT**

Notwithstanding anything to the contrary set forth in the Software License Agreement, the following provisions will supersede and apply:

1. Article 8 of the Software License Agreement ("Injunction") will not apply to franchises offered and sold in the State of Indiana.
2. Section 16.01 of the Software License Agreement will not relieve the Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana, and the laws of the State of Indiana supersede such provision or New York law if such provision is in conflict with Indiana law.
3. The third sentence of Article 14 of the Software License Agreement ("Limitation of Liability") will not apply to franchises offered and sold in the State of Indiana.

Dated: \_\_\_\_\_

LICENSEE:

If an entity:

\_\_\_\_\_

(Name of Entity)

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

Its \_\_\_\_\_

(Title)

\_\_\_\_\_

(Print Name)

If an individual:

\_\_\_\_\_

(Signature)

\_\_\_\_\_

(Print Name)

\_\_\_\_\_

(Signature)

\_\_\_\_\_

(Print Name)

Dated: \_\_\_\_\_

CRAFTY CRAB FRANCHISING LLC

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

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

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

**MARYLAND ADDENDUM TO SOFTWARE LICENSE AGREEMENT**

The following provisions will supersede anything to the contrary in the Software License Agreement and will apply to all franchises offered and sold under the laws of the State of Maryland:

Section 16.02 of the Software License Agreement (“Venue”) requires venue to be limited to New York. This section is amended to permit a franchisee to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Dated: \_\_\_\_\_

LICENSEE:

If an entity:

\_\_\_\_\_  
(Name of Entity)

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CRAFTY CRAB FRANCHISING LLC

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

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

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



**EXHIBIT E TO CRAFTY CRAB FRANCHISING LLC FRANCHISE AGREEMENT  
CONFIDENTIALITY/NON-COMPETITION AGREEMENT**

**CONFIDENTIALITY/NON-COMPETITION AGREEMENT**

**NAME:** \_\_\_\_\_

**FRANCHISEE:** \_\_\_\_\_

**HOME ADDRESS:** \_\_\_\_\_

**HOME TELEPHONE:** \_\_\_\_\_

**RELATION TO FRANCHISEE:** \_\_\_\_\_

**(Owner, Shareholder, Officer, Director, Employee,  
Etc.)**

\_\_\_\_\_ (“Franchisee”) is a franchisee of Crafty Crab Franchising LLC (“Franchisor”) pursuant to a Franchise Agreement entered into by Franchisee and Franchisor dated \_\_\_\_\_ (the “Franchise Agreement”) regarding the establishment of a franchised \_\_\_\_\_ business. I agree that, unless otherwise specified, all terms in this Agreement have those meanings ascribed to them in the Franchise Agreement.

I agree that during the term of my employment by, ownership participation in, association with or service to Franchisee, or at any time thereafter, I will not communicate, divulge or use for the benefit of any other person, persons, partnership, proprietorship, association, corporation or entity any confidential information, knowledge or know-how concerning the systems of operation, services, products, clients or practices of Franchisee and/or Franchisor which may be communicated to me (“Confidential Information”), and I will not divert any business to competitors of Franchisee and/or Franchisor.

Any and all information, knowledge, know-how, techniques and information which the entities mentioned above or their officers designate as confidential will be Confidential Information for the purposes of this Agreement, except information which I can demonstrate came to my attention before disclosure or which had become or becomes a part of the public domain through publication or communication by others (unless the publication or communication is in violation of a similar confidentiality agreement), but in no event through any act of mine.

I specifically understand that, without limitation, the following constitute Confidential Information of Franchisor: all information, knowledge, trade secrets or know-how utilized or embraced by the System and/or imparted to you by Franchisor and/or Franchisee (or any of their respective affiliates) which concerns Franchisee’s or Franchisor’s systems of operation, programs, services, products, customers, practices, materials, books, records, manuals, computer files, databases or software; all elements of the System; all programs, products, services, equipment, technologies, recipes, food and beverage preparation techniques, policies, standards, requirements, criteria and procedures that now or in the future are a part of the System; Franchisor’s Manual (including Supplements to the Manual); all specifications, procedures, systems, techniques and activities employed by Franchisor or by Franchisee in the offer and sale of programs, products and/or services at or from the franchised Business; all pricing paradigms established by Franchisor or Franchisee; all of Franchisor’s and/or Franchisee’s sources (or prospective sources) of supply and all information pertaining to same (including wholesale pricing structures, the contents of sourcing agreements and the identity of suppliers); Franchisor’s specifications, and Franchisee’s final plans, for the construction, build out, design, renovation, décor, equipment, signage, furniture, fixtures and trade dress elements of Franchisee’s Restaurant; the identify of, and all information relating to, the computer and POS hardware and software utilized by Franchisor and Franchisee; all information pertaining to Franchisor’s and

Franchisee's advertising, marketing, promotion and merchandising campaigns, activities, materials, specifications and procedures; all customer lists, data and records generated and/or otherwise maintained by the franchised Business; Franchisor's (and, if in the future Franchisor permits, Franchisee's) internet/web protocols, procedures and content (including electronic data, data files, users names and passwords); Franchisor's training and other instructional programs and materials; all elements of Franchisor's recommended staffing, staff training and staff certification policies and procedures; all communications between Franchisor and Franchisee; additions or improvements to, deletions from and modifications and variations of the components of the System and the other systems and methods of operations which Franchisor employs now or in the future; research, development and test programs for products, services and operations; and, all other information, knowledge and know-how which either Franchisor or its affiliates, now or in the future, designate as confidential.

I will at no time copy, duplicate, record or otherwise reproduce any of the Confidential Information or material containing it, in whole or in part, store them in a computer retrieval or data base, nor otherwise make them available to any unauthorized person. Upon the expiration or other termination for any reason of my employment, association, service or ownership participation, I agree to return to Franchisor or Franchisee, as the case may be, all Confidential Information or material containing it (in whole or in part) in my possession utilized during my employment, association, service or ownership participation.

I further agree that during the term of my employment/service/association/ownership participation, I will not, directly or indirectly, engage or participate in any other business which engages in any of the activities which the Franchise Agreement contemplates will be engaged in by Franchisee; or, which offers or sells any other service, product or component which now or in the future is part of the System, or any confusingly similar product or service. I agree that I am prohibited from engaging in any competitive business as a proprietor, partner, investor, shareholder, director, officer, employee, principal, agent, advisor, or consultant.

For a period of two years immediately following the later of (a) the expiration or termination of my employment/service/association/ownership participation or (b) the date on which I begin to comply with the terms and conditions of this Agreement, I am prohibited from engaging in any competitive business, if the other business is located at the Restaurant Location, within Franchisee's Territory, within ten (10) miles of the boundaries of Franchisee's Territory, or within ten (10) miles of (or within) the Territory or market area (as applicable) of any other franchised or company-owned Business in operation or under construction (regardless of how established and operated).

It is the intention of these provisions to preclude not only direct competition but also all forms of indirect competition, such as consultation for competitive businesses, service as an independent contractor for competitive businesses, or any assistance or transmission of information of any kind which would be of any assistance to a competitor. Nothing herein will prevent me from owning for investment purposes up to an aggregate of 5% of the capital stock of any competitive business, so long as the competitive business is a publicly held corporation whose stock is listed and traded on a national or regional stock exchange, or through the National Association of Securities Dealers Automated Quotation System (NASDAQ), and so long as I or Franchisee do not control the company in question.

It is the intention of these provisions that any person or entity having any legal or beneficial interest in or traceable to, down or through me to be bound by the provisions of this covenant, including (without limitation) my spouse, brother, brother-in-law, sister, sister-in-law, parent, parent-in-law, child, son-in-law or daughter-in-law; any direct or indirect beneficiary; any partner (general or limited) or proprietor of mine; and, any other such related person or entity, regardless of how many levels or tiers there may be between any such described person or entity and me. I further agree that upon the expiration or termination of my term of

employment/service/association, I will immediately refrain from any and all contacts with customers, for any purpose whatsoever.

**I acknowledge that violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor and Franchisee for which no adequate remedy at law will be available. Accordingly, I hereby consent to the entry of an injunction procured by Franchisor or Franchisee (or both) prohibiting any conduct by me in violation of the terms of those covenants not to compete and/or restrictions on the use of confidential information set forth in this agreement. I expressly agree that it may conclusively be presumed in any legal action that any violation of the terms of these covenants not to compete was accomplished by and through my unlawful utilization of Franchisor's Confidential Information. Further, I expressly agree that any claims I may have against Franchisor will not constitute a defense to Franchisor's enforcement of the covenants not to compete set forth in this Agreement. I further agree to pay all costs and expenses (including reasonable attorneys' and experts' fees) incurred by Franchisor in connection with the enforcement of those covenants not to compete set forth in this Agreement.**

If all or any portion of this covenant not to use confidential information and not to compete is held unreasonable, void, vague or illegal by any court or agency having valid jurisdiction in an unappealed final decision to which Franchisee and/or Franchisor is a party, the court or agency will be empowered to revise and/or construe the covenant to fall within permissible legal limits, and should not invalidate the entire covenant. I expressly agree to be bound by any lesser covenant subsumed within the terms of this Agreement as if the resulting covenant were separately stated in and made a part of this Agreement.

I agree that this Agreement and all relations and disputes between myself on the one hand, and Franchisee or Franchisor on the other hand, whether sounding in contract, tort, or otherwise, are to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State New York without recourse to New York (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of the State of New York, and if the franchised Business is located outside of the State of New York and the provision would be enforceable under the laws of the state in which the franchised Business is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Agreement is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or any other doctrine of law of the State of New York or any other state, which would not otherwise apply.

I further agree that any litigation arising out of or related to this Agreement; any breach of this Agreement; and, all relations and any and all disputes between myself on the one hand, and Franchisee or Franchisor on the other hand, whether sounding in contract, tort, or otherwise, will be instituted exclusively in a court of competent jurisdiction situated in the state, county and judicial district in which our principal place of business is then located (currently Green Cove Springs, in Clay County, Florida). I agree that any dispute as to the venue for this litigation will be submitted to and resolved exclusively by a court of competent jurisdiction situated in the state, county and judicial district in which our principal place of business is then located (currently Green Cove Springs, in Clay County, Florida).

I hereby waive and covenant never to assert or claim that said venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

I understand that the rights and remedies of Franchisor under this Agreement are fully assignable and transferable and will inure to the benefit of its respective affiliates, successors and

assigns. I further understand and agree that my and Franchisee's respective obligations for hereunder may not be assigned by me or Franchisee, without the prior written consent of Franchisor.

Witnessed By:

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
Witness/Date

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Date)

**EXHIBIT F TO CRAFTY CRAB FRANCHISING LLC FRANCHISE AGREEMENT  
CONFIDENTIALITY AGREEMENT (NON-MANAGERIAL PERSONNEL)**

## CONFIDENTIALITY AGREEMENT (NON-MANAGERIAL PERSONNEL)

NAME: \_\_\_\_\_

FRANCHISEE: \_\_\_\_\_

HOME ADDRESS: \_\_\_\_\_

HOME TELEPHONE: \_\_\_\_\_

RELATION TO FRANCHISEE: \_\_\_\_\_  
(Employee, Independent Contractor, Etc.)

\_\_\_\_\_ (“Franchisee”) is a franchisee of Crafty Crab Franchising LLC (“Franchisor”) pursuant to a Franchise Agreement entered into by Franchisee and Franchisor dated \_\_\_\_\_ (the “Franchise Agreement”) regarding the establishment of a franchised \_\_\_\_\_ business. I agree that, unless otherwise specified, all terms in this Agreement have those meanings ascribed to them in the Franchise Agreement.

I agree that during the term of my employment by, association with or service to Franchisee, or at any time thereafter, I will not communicate, divulge or use for the benefit of any other person, persons, partnership, proprietorship, association, corporation or entity any confidential information, knowledge or know-how concerning the systems of operation, services, products, clients or practices of Franchisee and/or Franchisor which may be communicated to me (“Confidential Information”), and I will not divert any business to competitors of Franchisee and/or Franchisor.

Any and all information, knowledge, know-how, techniques and information which the entities mentioned above or their officers designate as confidential will be Confidential Information for the purposes of this Agreement, except information which I can demonstrate came to my attention before disclosure or which had become or becomes a part of the public domain through publication or communication by others (unless the publication or communication is in violation of a similar confidentiality agreement), but in no event through any act of mine.

I specifically understand that, without limitation, the following constitute Confidential Information of Franchisor: all information, knowledge, trade secrets or know-how utilized or embraced by the System and/or imparted to you by Franchisor and/or Franchisee (or any of their respective affiliates) which concerns Franchisee’s or Franchisor’s systems of operation, programs, services, products, customers, practices, materials, books, records, manuals, computer files, databases or software; all elements of the System; all programs, products, services, equipment, technologies, recipes, food and beverage preparation techniques, policies, standards, requirements, criteria and procedures that now or in the future are a part of the System; Franchisor’s Manual (including Supplements to the Manual); all specifications, procedures, systems, techniques and activities employed by Franchisor or by Franchisee in the offer and sale of programs, products and/or services at or from the franchised Business; all pricing paradigms established by Franchisor or Franchisee; all of Franchisor’s and/or Franchisee’s sources (or prospective sources) of supply and all information pertaining to same (including wholesale pricing structures, the contents of sourcing agreements and the identity of suppliers); Franchisor’s specifications, and Franchisee’s final plans, for the construction, build out, design, renovation, décor, equipment, signage, furniture, fixtures and trade dress elements of Franchisee’s Restaurant; the identify of, and all information relating to, the computer and POS hardware and software utilized by Franchisor and Franchisee; all information pertaining to Franchisor’s and Franchisee’s advertising, marketing, promotion and merchandising campaigns, activities, materials, specifications and procedures; all customer lists, data and records generated and/or

otherwise maintained by the franchised Business; Franchisor's (and, if in the future Franchisor permits, Franchisee's) internet/web protocols, procedures and content (including electronic data, data files, users names and passwords); Franchisor's training and other instructional programs and materials; all elements of Franchisor's recommended staffing, staff training and staff certification policies and procedures; all communications between Franchisor and Franchisee; additions or improvements to, deletions from and modifications and variations of the components of the System and the other systems and methods of operations which Franchisor employs now or in the future; research, development and test programs for products, services and operations; and, all other information, knowledge and know-how which either Franchisor or its affiliates, now or in the future, designate as confidential.

I will at no time copy, duplicate, record or otherwise reproduce any of the Confidential Information or material containing it, in whole or in part, store them in a computer or other electronic format, nor otherwise make them available to any other third-party individual by any other means whatsoever. Upon the expiration or other termination for any reason of my employment, association or service, I agree to return to Franchisor or Franchisee, as the case may be, all Confidential Information or material containing it (in whole or in part) in my possession utilized during my employment, association, service or ownership participation.

If all or any portion of this covenant not to use confidential information is held unreasonable, void, vague or illegal by any court or agency having valid jurisdiction in an unappealed final decision to which Franchisee and/or Franchisor is a party, the court or agency will be empowered to revise and/or construe the covenant to fall within permissible legal limits, and should not invalidate the entire covenant. I expressly agree to be bound by any lesser covenant subsumed within the terms of this Agreement as if the resulting covenant were separately stated in and made a part of this Agreement.

I agree that this Agreement and all relations and disputes between myself on the one hand, and Franchisee or Franchisor on the other hand, whether sounding in contract, tort, or otherwise, are to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State New York without recourse to New York (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of the State of New York, and if the franchised Business is located outside of the State of New York and the provision would be enforceable under the laws of the state in which the franchised Business is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Agreement is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or any other doctrine of law of the State of New York or any other state, which would not otherwise apply.

I further agree that any litigation arising out of or related to this Agreement; any breach of this Agreement; and, all relations and any and all disputes between myself on the one hand, and Franchisee or Franchisor on the other hand, whether sounding in contract, tort, or otherwise, will be instituted exclusively in a court of competent jurisdiction situated in the state, county and judicial district in which our principal place of business is then located (currently Green Cove Springs, in Clay County, Florida). I agree that any dispute as to the venue for this litigation will be submitted to and resolved exclusively by a court of competent jurisdiction situated in the state, county and judicial district in which our principal place of business is then located (currently Green Cove Springs, in Clay County, Florida).

I hereby waive and covenant never to assert or claim that said venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).



I understand that the rights and remedies of Franchisor under this Agreement are fully assignable and transferable and will inure to the benefit of its respective affiliates, successors and assigns. I further understand and agree that my and Franchisee's respective obligations for hereunder may not be assigned by me or Franchisee, without the prior written consent of Franchisor.

Witnessed By:

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
Witness/Date

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Date)

**EXHIBIT G TO CRAFTY CRAB FRANCHISING LLC FRANCHISE AGREEMENT**

**SAMPLE BY-LAWS OF CRAFTY CRAB FRANCHISING LLC  
REGIONAL ADVERTISING COOPERATIVE**

**SAMPLE BY-LAWS OF CRAFTY CRAB FRANCHISING LLC  
REGIONAL ADVERTISING COOPERATIVE**

**1. PURPOSES**

**1.01 Purposes**

The purposes of \_\_\_\_\_ (the "Corporation"), as set forth in its Certificate of Incorporation, are to provide for and establish cooperative marketing, promotion and advertising programs for the Crafty Crab Businesses within the \_\_\_\_\_ Designated Market Area (the "DMA"), as defined by the Nielsen company or any successor thereto; to serve as the official voice of the members; and, to pay the administrative expenses incidental thereto.

**2. OFFICES**

**2.01 Registered Office**

The Corporation shall establish and maintain a registered office and a registered agent in the State of \_\_\_\_\_, as required by law, and shall be qualified to conduct business in the State(s) of \_\_\_\_\_. The Corporation may also establish and maintain offices elsewhere in furtherance of its not-for-profit activities as the Board of Directors (the "Board") of the Corporation may deem appropriate.

**3. SEAL**

**3.01 Seal**

The seal of the Corporation shall be in such form as the Board of Directors shall prescribe.

**4. MEMBERSHIP**

**4.01 Qualifications**

The Corporation shall have one class of membership. Any Crafty Crab franchisee who operates a Crafty Crab Business located within the DMA under license granted by Crafty Crab Franchising LLC ("Crafty Crab") for such purpose or representative of any company-owned Crafty Crab Business shall be eligible for membership in the Corporation, providing that such license granted by is in good standing. "Good standing", for the purpose of the preceding sentence, shall mean that the license granted by Crafty Crab to operate a Crafty Crab Business in the DMA has not been terminated and has not expired.

**4.02 Admission of Members**

Any person, partnership, corporation or other entity eligible for membership shall become a member immediately upon his or its execution of a membership pledge agreement, the form and terms of which shall be established by the Board.

Each new member shall be bound by, observe, participate in and when applicable, contribute to all programs, campaigns, policies and determinations of the Corporation which, by virtue of prior corporate action, are in effect on the date of membership admission.

**4.03 Voting Rights of Members**

Each member in good standing shall be entitled to one vote for each Crafty Crab Business operated by such member in the DMA under license from Crafty Crab. Notwithstanding anything to the contrary set forth in these By-Laws, if a Crafty Crab Business is operated by two or more co-

venturers, such co-venturers collectively, and not individually, shall be entitled to exercise the voting rights which may arise by virtue thereof; and, for the purpose of determining voting rights hereunder, no individual co-venturer shall be deemed to so operate any such business.

#### **4.04 Transfer of Membership**

Membership in the Corporation shall not be transferable or assignable.

#### **4.05 Member's Sale of Unit**

In the event that a member sells or otherwise transfers his or its Crafty Crab Business and, by virtue thereof, no longer is eligible for membership in the Corporation, such member shall not be liable for any contributions which accrue during the balance of the Corporation's fiscal year from the date that such sale or transfer becomes effective. Upon the purchase of the Crafty Crab Business, the purchaser shall immediately apply for membership in the Corporation and the purchaser's liability for all such contributions shall commence as of the date of purchase.

#### **4.06 Other Associations**

Nothing contained herein shall be construed as restricting any member from membership in any other association of Crafty Crab licensees or franchisees.

#### **4.07 Suspension; Expulsion**

A member may be suspended for a period, or expelled, for cause, such as for a violation of any of the By-Laws or rules of the Corporation or failure promptly to pay when due duly authorized dues and/or assessments of the Corporation (as provided for in Section 12.01 of these By-Laws) or for conduct prejudicial to the best interests of the Corporation. Suspension or expulsion shall require the affirmative vote of two-thirds of the directors present and voting at a meeting of the Board. Except as set forth below, any suspension or expulsion of any member shall be referred by the Board to the membership for a vote on expulsion and any expulsion shall require the affirmative vote equal to or greater than 75% of the votes cast (in person or by proxy) at the membership meeting convened inter alia to consider such actions. No suspension shall be effective unless a statement of the charges shall have been mailed by registered mail to the member proposed to be suspended or expelled at his or her last known address at least fifteen days before the meeting of membership at which final action on the suspension or expulsion is to be taken. Such notice shall state the time and place where the meeting of the membership is to take place, and shall specify the grounds upon which such suspension or expulsion is sought. The member shall be given an opportunity at the meeting to present any information relevant to the question of suspension or expulsion. A member who is suspended or expelled shall have no recourse or claim against the Corporation or any director, officer, employee, agent or member of the Corporation by reason of such suspension or expulsion and shall remain liable for all contributions due and owing prior to the date on which the membership votes to suspend or expel the member. Notwithstanding anything to the contrary set forth above, if a member no longer has a license in good standing to operate a Crafty Crab Business in the DMA (as defined by Section 4.01 of these By-Laws), expulsion of such member shall be automatic and shall not require a meeting or vote of the Board or of the membership.

#### **4.08 Reinstatement**

A. Any former member may, by written request delivered to and filed with the Secretary of the Corporation, make application to the Board of Directors for reinstatement as a member of the Corporation.

B. The Board of Directors, by a vote of two-thirds of the entire membership of the Board, may reinstate such former member to membership at any time upon such terms as the Board of Directors, in its discretion, deems appropriate, subject to the conditions precedent in sub-section C, below.

C. As conditions precedent to the restoration of membership: (i) the former member must be eligible for membership as provided in Section 4.03 of these By-Laws, and (ii) the Board of Directors may provide for the payment of contributions which accrued during the intervening period between resignation, suspension or expulsion and reinstatement.

## **5. MEETINGS OF MEMBERS**

### **5.01 Place of Meeting**

Meetings of the membership of the Corporation shall be held at such place(s) within the DMA as may be fixed by the Board as the place(s) of meeting for any quarterly, special, or annual meeting.

### **5.02 Quarterly Meetings**

Meetings of the membership of the Corporation shall be held on the third Tuesday of each of the following months; September, December, March and June, at such times and places as shall be designated by the Board. If the scheduled date of any such meeting is a legal holiday, the meeting shall be held on the next succeeding business day not a legal holiday.

### **5.03 Annual Meeting**

The annual meeting of the membership, for the election of directors and the transaction of any other business which may be lawfully brought before the meeting, shall be held at nine o'clock A.M. on the third Tuesday in September of each year, if not a legal holiday, and if a legal holiday, then on the next succeeding business day not a legal holiday, unless the Board shall designate some other hour or date therefor. If for any reason such meeting is not held at the time fixed therefor, such election may be held at a subsequent meeting called for that purpose.

### **5.04 Special Meetings**

Special meetings of the membership may be called by a majority of the Board of Directors or by written demand of not less than one-fourth of the membership of the Corporation entitled to vote at such meeting.

### **5.05 Notice of Meetings; Waiver of Notice**

Written notice of each meeting of the membership of the Corporation shall be given to each member by the Secretary. Each notice of meeting shall be given, personally or by mail, not less than five nor more than thirty days before the meeting, and shall state the time and place of the meeting, and, unless it is the annual meeting or a quarterly meeting, shall state at whose direction the meeting is called and the purpose(s) for which it is called. If mailed, notice shall be considered given when mailed to a member at his or its last known address on the Corporation's records. Notice need not be given to any member who submits a signed waiver of notice before or after the meeting, or who attends the meeting without protesting before the end of the meeting the lack of notice to him or it.

### **5.06 Organization**

At every meeting of the membership, the Chairman of the Board, or in his absence a Vice President, or in the absence of the Chairman and all of the Vice Presidents, a chairman chosen by the members, shall act as chairman; and the Secretary, or in his absence, a person appointed by the chairman, shall act as secretary.

### **5.07 Quorum**

The presence, in person or by written proxy, of members entitled to cast at least a majority of the votes which all members are entitled to cast shall constitute a quorum. A quorum once having been constituted for a meeting, whether monthly, annual, special, shall be deemed to continue until such meeting is adjourned. In the absence of a quorum, any officer entitled to preside at or to act as secretary of the meeting may adjourn the meeting until a quorum is present. At any adjourned

meeting at which a quorum is present, any action may be taken which might have been taken at the meeting as originally called.

### **5.08 Voting**

A. All matters voted upon by membership shall be decided by the vote of 75% of the votes cast by those members voting in person or by written proxy, except as otherwise provided by law, by the Certificate of Incorporation, or by these By-Laws. Any member may request that a roll call vote be taken with respect to the vote on any issue.

B. When electing directors, each member shall be entitled to cast the number of votes as shall equal the number of votes he or it is allocated under Section 5.03 of these By-Laws multiplied by the number of directors to be elected (for which such member's votes are eligible), and each member may cast all such votes for a single director or may distribute them among some or all of the number of directors to be elected, as said member sees fit.

C. The chairman at any meeting of the membership may, in his discretion, appoint one or more persons to act as inspectors or tellers, to receive, canvass and report the votes cast by the membership at such meeting provided, however, that no candidate for the office of director shall be appointed an inspector or teller at any meeting for the election of directors. The use of written ballots shall not be required for valid action to be taken at any meeting of the members.

D. At any meeting of the members (except those held pursuant to Section 5.05 of these By-Laws), any member may vote by written proxy. All proxies must be submitted to the Secretary of the Corporation, or, in his absence, any person appointed to act as secretary, at or before the meeting for which said proxies are given.

### **5.09 Participation in Meetings**

One or more members may participate in a meeting of the membership by means of conference telephone or similar communications equipment by which all persons participating in the meeting can hear each other. The membership may designate one member to act as Sergeant of Arms at any meeting of members, and the individual so designated shall have the right to expel disorderly members and refuse admittance to non-members.

### **5.10 Action by Members Without Formal Meeting**

Any action required to be taken at a meeting of the members of the Corporation (except for the election of Directors), or any other action which may or might be taken at a meeting of members, may be taken without a meeting if a written consent setting forth, with specificity, the action to be taken is signed by members who, in the aggregate, possess 75% percent of total membership votes, as calculated in Section 5.08 above.

### **5.11 Discussion by Members**

At any meeting, no member shall speak longer than five minutes at any one time, except with the approval of a majority vote of the members present.

### **5.12 Order of Crafty Crab Business**

The order of business at meetings of members shall be as follows:

1. Attendance Record.
2. Proof of Notice of Meeting or Waiver of Notice.
3. Reading of Minutes of Preceding Meeting.
4. Report of Board.
5. Election of Board (where appropriate).
6. Old Crafty Crab Business.

7. New Crafty Crab Business.
8. Adjournment.

## **6. BOARD OF DIRECTORS**

### **6.01 General Powers**

The property and affairs of the Corporation shall be managed by the Board of Directors subject, however, to the understanding that all major issues, questions and policy determinations shall, if feasible or appropriate, first be submitted to and voted upon by members at any quarterly, annual, or special meeting. The powers of the Board shall include, but shall not be limited to:

- (a) appointment of subordinate officers and employees of the Corporation;
- (b) development, with the assistance of such committees as the Board shall deem advisable, of policies and programs designed to promote the purposes for which the Corporation was formed;
- (c) establishment and preparation of budgets, including an annual budget, to be proposed to and voted upon by the membership to effectuate those programs, activities and functions of the Corporation;
- (d) expenditure of up to Ten Thousand Dollars (\$10,000.00), without membership approval, where action to the advantage of the Corporation must be undertaken expeditiously and, in the given circumstances, time is of the essence and procuring membership approval is not feasible; and,
- (e) establishment of the Corporation's office and preparation of its administrative budget.

### **6.02 Number, Qualification, Election and Term of Directors**

The Board shall consist of nine directors, each of whom shall be at least 21 years old. Each such director shall himself be a member, and shall be elected by members. At the initial election of directors, the term of three directors shall be for one year; the term of three directors shall be for two years; and the term of three directors shall be for three years. At each succeeding annual election, the members shall elect one director to succeed to the offices of each director whose term has expired. Subsequent to the initial terms of directors provided for herein, directors shall hold office for a term of three years and until the election of their respective successors.

### **6.03 Quorum and Manner of Acting**

A majority of the entire Board shall constitute a quorum for the transaction of business at any meeting. A quorum once having been constituted for a meeting shall be deemed to continue until such meeting is adjourned. Action by the Board shall be authorized by the affirmative vote of at least two-thirds of the directors present entitled to vote, even if such vote constitutes less than a majority of the votes which all directors would be entitled to cast. In the absence of a quorum, a majority of the directors present may adjourn any meeting from time to time until a quorum is present.

### **6.04 Place of Meetings**

Meetings of the Board shall be held within the DMA.

### **6.05 Annual and Quarterly Meetings**

Annual meetings of the Board shall be held either: (a) without notice immediately after the annual meeting of the membership, and at the same place, or (b) as soon as practicable after the annual meeting of the membership, on notice as provided above in Section 6.07 of these By-Laws. Quarterly meetings of the Board shall be held without formal notice immediately after the quarterly meeting of members, and at the same place, or at such times and places as the Board determines

by prior written notice. If the day fixed for a regular meeting is a legal holiday, the meeting shall be held on the next succeeding business day not a legal holiday.

#### **6.06 Special Meetings**

Special meetings of the Board may be called by the Chairman of the Board or by any two (2) of the directors. Only business related to the purposes set forth in the notice of the meeting may be transacted at such a special meeting.

#### **6.07 Notice of Meetings; Waiver of Notice**

Notice of the time and place of each special meeting of the Board, and of each annual or quarterly meeting not held immediately after the respective meetings of the membership and at the same place, shall be given to each director at least 10 days before the meeting or, with regard to special meetings only, by delivering or telephoning or telegraphing notice to him at least two (2) hours before the meeting. Notice need not be given to any director who submits a signed waiver of notice before or after the meeting, or who attends the meeting without protesting before the end of the meeting the lack of notice to him.

#### **6.08 Action Without a Meeting.**

Unless specifically prohibited by statute, the Certificate of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if a written consent to such action is signed by all members of the Board. Such written consent or consents shall be filed with the minutes or proceedings of the Board or committee.

#### **6.09 Telephone Meeting.**

Any or all of the Directors may participate in a meeting of the Board by means of a telephone conference or any other means of communication by which all persons participating in the meeting are able to hear and speak with each other.

#### **6.10 Resignation and Removal of Directors**

Any director may resign at any time. Any or all of the directors may be removed at any time by a vote of two-thirds of all of the members of that director's geographic region; provided, however, in the event that the membership of a director has been terminated, has expired or does not otherwise subsist, such director shall, for all purposes be deemed removed from the Board effective simultaneously with the effective date of expulsion or suspension of such director's membership.

#### **6.11 Vacancies**

Any vacancy in the Board, including one created by an increase in the number of directors, may be filled for the unexpired term by a majority vote of the members present and voting at a meeting of members.

#### **6.12 Annual Report of Directors**

The Board of Directors shall present at each annual meeting of members its report, which shall set forth the statements and shall be verified or certified in the manner prescribed by Section 519 of the Not-for-Profit-Corporation Law of the State of New York. Such report shall be filed with the records of the corporation and either a copy or an abstract of such annual report shall be distributed or available for distribution at each annual meeting of members.

### **7. COMMITTEES**

#### **7.01 Committees**

The Board, by resolution adopted by a majority of the entire Board, may designate such committees composed of directors, members who are not directors, or a combination of both, to



serve at the Board's pleasure, with such powers and duties and for such purposes as the Board determines.

## **8. OFFICERS**

### **8.01 Number**

The officers of the Corporation shall be the President, one or more Vice Presidents, a Secretary, and a Treasurer. Not more than one (1) office may be held by the same person or entity. A director may serve as an officer of the Corporation.

### **8.02 Appointment; Term of Office**

The officers of the Corporation shall be appointed annually by the Board and shall hold office for one (1) year and until the next annual meeting of the membership and the appointment and qualification of his or her successor. Immediately after election of the Board, the directors shall appoint a Chairman of the Board, who shall thereafter be appointed by the Board to serve as President of the Corporation throughout his or her term. Immediately thereafter all other officers shall also be appointed by the Board of Directors.

### **8.03 Resignation and Removal of Officers**

Any officer may resign at any time by giving written notice to the Board of Directors, the President, or the Secretary of the Corporation. Any officer appointed by the Board may be removed either with or without cause by a vote of two-thirds of the members of the Board present and voting at any meeting of the Board.

### **8.04 Vacancies**

A vacancy in any office may be filled for the unexpired term in the manner prescribed in these By-Laws for appointment to that office.

### **8.05 The President**

The president, who shall be a director, shall be the chief executive officer of the Corporation and shall preside at all meetings of the Board and of the membership. Subject to the control of the Board, he shall have general supervision over the business of the Corporation and shall have such other powers and duties as presidents of corporations usually have or as the Board assigns to him.

### **8.06 Vice President**

Each Vice President shall have such powers and duties as the Board or the President assigns to him.

### **8.07 The Treasurer**

The Treasurer shall be the chief financial officer of the Corporation and shall be in charge of the Corporation's books and accounts. Subject to the control of the Board, he shall have such other powers and duties as the Board or the President assigns to him or her.

### **8.08 The Secretary**

The Secretary shall be the secretary of, and keep the minutes of, all meetings of the Board and of the members; shall be responsible for giving notice of all meetings of the membership and of the Board; and, shall keep the Corporation's seal and, when authorized by the Board, shall apply it to any instrument requiring it. Subject to the control of the Board, he or she shall have such other powers and duties as the Board or the President assigns to him or her. The Board may, in its discretion, appoint an Assistant Secretary who shall possess and discharge such powers and duties as the Board may prescribe. In the absence of the Secretary from any meeting, the minutes shall be kept by the person appointed for that purpose by the chairman of the Board.

## **9. CORPORATE FUNDS**

### **9.01 General Use of Funds**

Funds in any Regional Advertising cooperative shall be expended for any and all or a combination of the following purposes: (i) development of advertising ideas and concepts; (ii) development of market research and merchandising programs; (iii) preparation of advertising campaigns; (iv) development of promotional ideas and strategies; (v) preparation of collateral creative materials; (vi) preparation of advertisements (including writing, filming, editing, etc.); (vii) planning, negotiation, contracting and trafficking all media programs; (viii) technical and professional advice in connection with the above; (ix) other public relations; and, (x) administration of the Cooperative, including legal and accounting services.

It shall be required that all, or as great a percentage as practicable, of the funds received in any given fiscal year by the Corporation from its members be expended for the above purposes during that fiscal year.

### **9.02 Contracts**

The Board of Directors, after having first secured the approval of the membership (when feasible and appropriate) may, from time to time, authorize any officer or officers, agent or agents of the Corporation, in addition to the officers so authorized by these By-Laws, and singly or jointly or in any other manner, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

### **9.03 Checks, Drafts, Etc.**

All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents, of the Corporation and in such manner as shall, from time to time, be determined by resolution of the Board of Directors.

### **9.04 Deposits**

All funds of the Corporation shall be promptly deposited, from time to time, to the credit of the Corporation in such banks, trust companies, or other depositories as the Board may select.

### **9.05 Gifts**

The Board may accept on behalf of the Corporation any contribution, gift, bequest or devise for the general purposes or for any special purpose of the Corporation.

## **10. MEMBERSHIP CERTIFICATES**

### **10.01 Membership Certificates**

The Board may provide for the issuance of membership certificates evidencing status as a member in the Corporation, which certificates shall be in such form as determined by the Board; shall be non-transferable; and, shall bear on the face thereof, a conspicuous notation that the Corporation is a not-for-profit corporation and that the membership certificate is non-transferable. Such certificates shall be signed by the President or a Vice-President and by the Secretary or any Assistant Secretary and shall be sealed with the seal of the Corporation. The name, address and location of the Crafty Crab Business of each member and the date of issuance of the certificate shall be entered on the records of the Corporation. If any certificate shall become lost, mutilated or destroyed, a new certificate may be issued therefor, upon such terms and conditions as the Board may determine.

## **11. BOOKS AND RECORDS**

### **11.01 Books and Records**

The Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its membership, its Board of Directors and any committees having any of the authority of the board, and shall also keep a record bearing the names and addresses of Corporation members. All books and records of the Corporation shall be kept at the registered office or principal office of the Corporation and shall not be removed from such place except as necessary for purposes of auditing such books and records. All books and records of the Corporation may be inspected by any member or anyone authorized by law or contract for any proper purpose at any reasonable time, upon the giving of prior written notice to the President, Treasurer or Secretary or such other officer or person as the Board may determine.

### **11.02 Financial Statements**

The Corporation will not be required to prepare annual or periodic financial statements. However, any financial statements that are generated as part of the books and records of the Corporation will be available for review by franchisee members of the Corporation. The Corporation will provide financial information about the Corporation's operations upon request of the Board of the Corporation, and the Board will then, in its discretion, present the report to the franchisees and the other members of the Corporation at the next regular meeting or at a special meeting.

## **12. PAYMENTS BY MEMBERS**

### **12.01 Amount and Payment of Dues and Assessments**

Each member shall pay to the Corporation annual dues of One Hundred (\$100) Dollars per Crafty Crab Business operated by such member, payable simultaneously with delivery of such member's membership pledge agreement; provided, however, the amount of the annual dues shall be subject to modification by the Board from time-to-time as the Board, in its sole discretion, deems appropriate. In addition, each member shall be required to pay a monthly assessment which shall be computed based on a percentage of the prior month's "Gross Revenues", as such term is defined in the Franchise Agreement. Such percentage shall be not less than one (1%) percent and shall not exceed two (2%) percent unless authorized by a vote of at least seventy-five (75%) percent of the members. Unless otherwise prescribed by the Board, all monthly assessments shall be due and payable the fifteenth (15th) day of each month for the preceding month.

### **12.02 Fines and Penalties**

The Board shall have the power to impose such fines and/or penalties upon any member, as the Board, in its sole discretion, deems appropriate as a result of a member's violation of any of the By-Laws or rules of the Corporation or failure promptly to pay when due duly authorized dues and/or special assessments of the Corporation, or for conduct prejudicial to the Corporation. Any such fines and/or penalties shall be due and payable on such terms as are fixed by the Board.

### **12.03 Default and Termination of Membership**

When any member shall be in default in the payment of any fees, dues, assessments, fines or penalties for a period of sixty (60) days from the beginning of the period for which such amounts become payable, his or its membership may thereupon be terminated in the manner provided in Section 4.07 of these By-Laws. In addition, such default may result in termination of the member's rights under his/its Franchise Agreement.

### **12.04 Payments Non-Refundable**

Except upon the affirmative vote of seventy-five (75%) percent of the members present and voting (in person or by proxy) at any meeting of members, no member shall be entitled to a refund of any part of the dues, assessments, fines and/or penalties paid by such member to the Corporation.

## **13. INDEMNIFICATION OF DIRECTORS, OFFICERS, AND COMMITTEE MEMBERS**

### **13.01 Right to Indemnification**

The Corporation shall indemnify any person who is or was a party to or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director, officer, or member of a committee of the Corporation as follows:

- A. If the action, suit or proceeding is not by or in the right of the Corporation:
  - (1) against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith to the extent that he has been successful on the merits or otherwise in defense of such action, suit or proceeding, or of any claim, issue or matter therein, and
  - (2) against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection therewith if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.
- B. If the action, suit or proceeding is by or in the right of the Corporation:
  - (1) against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith to the extent that he has been successful on the merits or otherwise in defense of such action, suit or proceeding, of any claim, issue or matter therein, and
  - (2) against expenses (including attorneys' fees), judgments and amounts paid in settlement actually and reasonably incurred by him in connection with the defense or settlement thereof if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have adjudged to be liable to the Corporation for negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that a court of record of the county in which the registered office of the Corporation is located or the court in which such action, suit, or proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity.

### **13.02 Procedure to be Followed**

Any indemnification under paragraph (a)(2) or (b)(2) of Section 13.01 above (unless ordered by a court or made pursuant to a determination by a court as hereinafter provided) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, committee member or any other person who qualifies for indemnification under this Article 13 is proper under the circumstances because he has satisfied the requirements for

indemnification as set forth in paragraphs A.(2) or B.(2) of Section 13.01 of these By-Laws, as the case may be. This determination shall be made (a) by independent legal counsel not in the employ of the Corporation in a written opinion, or (b) by the membership. In the absence of a determination that indemnification is proper as aforesaid, the director, officer, committee member, or other qualifying person may make application to a court of the county in which the registered office of the Corporation is located or the court in which the action, suit or proceeding was brought, which shall determine whether the trustee, officer, committee member or other qualifying person has met the applicable requirements for indemnification. If the court shall determine that indemnification is proper, indemnification shall be made under such paragraphs A.(2) or B.(2) of Section 13.01 of these By-Laws, as the case may be.

### **13.03 Payment of Expenses in Advance**

Expenses incurred in defending an action, suit or proceeding referred to in Section 13.01 of these By-Laws may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding as authorized by the membership or by a court, in the manner provided in Section 13.02 of these By-Laws, upon receipt of an undertaking by or on behalf of the director, officer, committee member or other qualifying person (regardless of his financial responsibility) to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation as authorized in this Article 13.

### **13.04 Other Rights**

The indemnification provided by these By-Laws shall not be deemed exclusive of any other rights to which a person seeking indemnification may be entitled under any agreement, vote of members, or otherwise both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer or committee member and shall inure to the benefit of the heirs, executors and administrators of such a person.

### **13.05 Insurance**

The Corporation shall have the power to purchase and maintain on behalf of any person who is or was a director, officer, committee member, employee or agent of the Corporation insurance against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of these By-Laws.

## **14. NOTICE**

### **14.01 Notice**

Any notice required to be given to any member, director, or officer under the provisions of these By-Laws, or otherwise, shall be in writing and shall (subject to the provisions of law, these By-Laws, and the Certificate of Incorporation of the Corporation) be deemed to be sufficiently given if such notice is delivered to such member, director or officer in person (and receipted on a copy of such notice) or mailed, faxed or telegraphed to such member, director or officer at his or its address, as the same appears on the books of the Corporation.

### **14.02 Waiver of Notice**

Any notice required to be given under the provisions of these By-Laws, or otherwise, may (subject to the provisions of law and the Certificate of Incorporation of this Corporation), be waived by the member, director, or officer to whom such notice is required to be given.

## **15. AMENDMENT OF BY-LAWS**

### **15.01 Amendment**

Any or all of the provisions of these By-Laws, whether contractual in nature or merely regulatory of the internal affairs of the Corporation, may be amended or repealed by vote of the members entitled to cast at least seventy-five (75%) percent of the votes which all members are entitled to cast thereon, at any regular or special meeting duly convened after notice of such purpose to the members.

**EXHIBIT H TO CRAFTY CRAB FRANCHISING LLC FRANCHISE AGREEMENT**

**GUARANTEE OF  
CRAFTY CRAB FRANCHISING LLC FRANCHISE AGREEMENT**

**GUARANTEE OF  
CRAFTY CRAB FRANCHISING LLC FRANCHISE AGREEMENT**

In consideration of the execution by Franchisor of the Franchise Agreement (the "Franchise Agreement") dated \_\_\_\_\_, between CRAFTY CRAB FRANCHISING LLC ("Franchisor") and \_\_\_\_\_ ("Franchisee") and for other good and valuable consideration, each of the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby absolutely and unconditionally guarantee the punctual payment of all amounts and the performance of all of the covenants, terms, conditions, agreements and undertakings contained and set forth in said Franchise Agreement and in any other agreement(s) by and between Franchisee and Franchisor.

If more than one person has executed this Guarantee, the term "the undersigned", as used herein, shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

The undersigned, individually and jointly, hereby agree to be personally bound by each and every covenant, term, condition, agreement and undertaking (including the noncompetition, confidentiality and transfer requirements) contained and set forth in said Franchise Agreement and any other agreement(s) by and between Franchisee and Franchisor, and agree that this Guarantee shall be construed as though the undersigned and each of them executed agreement(s) containing the identical terms and conditions of the Franchise Agreement and any other agreement(s) by and between Franchisee and Franchisor.

The undersigned hereby agree, furthermore, that without the consent of or notice to any of the undersigned and without affecting any of the obligations of the undersigned hereunder: (a) any term, covenant or condition of the Franchise Agreement may be amended, compromised, released or otherwise altered by Franchisor and Franchisee, and the undersigned do guarantee and promise to perform all the obligations of Franchisee under the Agreement as so amended, compromised, released or altered; (b) any guarantor of or party to the Franchise Agreement may be released, substituted or added; (c) any right or remedy under the Agreement, this Guarantee or any other instrument or agreement between Franchisor and Franchisee may be exercised, not exercised, impaired, modified, limited, destroyed or suspended; and, (d) Franchisor or any other person may deal in any manner with Franchisee, any of the undersigned, any party to the Franchise Agreement or any other person.

Should Franchisee be in breach or default under the Franchise Agreement or any other agreement(s) by and between Franchisee and Franchisor, Franchisor may proceed directly against any or each of the undersigned without first proceeding against Franchisee and without proceeding against or naming in such suit any other Franchisee, signatory to the Franchise Agreement or any others of the undersigned. The undersigned agree to bear any and all Franchisor's costs of collection hereunder, including all court costs and expenses, attorneys' fees, costs of or resulting from delays; travel, food, lodging and other living expenses necessitated by the need or desire to appear before courts or tribunals (including arbitration tribunals), and all other costs of collection.

Notice to or demand upon Franchisee or any of the undersigned shall be deemed notice to or demand upon Franchisee and all of the undersigned, and no notice or demand need be made to or upon any or all of the undersigned. The cessation of or release from liability of Franchisee or any of the undersigned shall not relieve any other Guarantors from liability hereunder, under the Franchise Agreement, or under any other agreement(s) between Franchisor and Franchisee, except to the extent that the breach or default has been remedied or moneys owed have been paid.

Any waiver, extension of time or other indulgence granted by Franchisor or its agents, successors or assigns, with respect to the Franchise Agreement or any other agreement(s) by and between Franchisee and Franchisor, shall in no way modify or amend this Guarantee, which shall be continuing, absolute, unconditional and irrevocable.

It is understood and agreed by the undersigned that the provisions, covenants and conditions of this Guarantee shall inure to the benefit of the Franchisor, its successors and assigns. This



Guarantee may be assigned by Franchisor voluntarily or by operation of law without reducing or modifying the liability of the undersigned hereunder.

This Guarantee is to be exclusively construed in accordance with and/or governed by the law of the State of New York without recourse to New York (or any other) choice of law or conflicts of law principles. If, however, any provision of this Guarantee would not be enforceable under the laws of the State of New York, and if the business franchised under the Franchise Agreement is located outside of the State of New York and the provision would be enforceable under the laws of the state in which the franchised business is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Guarantee is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or any other doctrine of law of the State of New York or any other state, which would not otherwise apply by its terms jurisdictionally or otherwise but for the within designation of governing law or which, by virtue of its denominated geographic or subject matter scope, would not by its terms otherwise apply.

Any litigation arising out of or related to this Guarantee will be instituted exclusively in a court of competent jurisdiction situated in the state, county and judicial district in which our principal place of business is then located (currently Green Cove Springs, in Clay County, Florida). The undersigned agree that any dispute as to the venue for this litigation will be submitted to and resolved exclusively by a court of competent jurisdiction situated in the state, county and judicial district in which our principal place of business is then located (currently Green Cove Springs, in Clay County, Florida). The undersigned hereby waive and covenant never to assert or claim that said venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

Should any one or more provisions of this Guarantee be determined to be illegal or unenforceable, all other provisions shall nevertheless be effective.

[Signature page follows.]

IN WITNESS WHEREOF, each of the undersigned has executed this Guarantee effective as of the date of the Franchise Agreement.

Attest:

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Address

Attest:

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Address

Attest:

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Address

**EXHIBIT I TO CRAFTY CRAB FRANCHISING LLC FRANCHISE AGREEMENT**

**GENERAL RELEASE – TERMINATION**

**GENERAL RELEASE**

To all to whom these Presents shall come or may Concern, Know That \_\_\_\_\_ [a corporation / limited liability company organized under the laws of the State of \_\_\_\_\_][an individual domiciled in the State of \_\_\_\_\_] as RELEASOR, in consideration of the agreed contractual obligations in connection with the Franchise Agreement, dated \_\_\_\_\_, between RELEASOR and CRAFTY CRAB FRANCHISING LLC (the "Franchise Agreement"), and other good and valuable consideration, hereby releases and discharges CRAFTY CRAB FRANCHISING LLC as RELEASEE; RELEASEE'S corporate parents, subsidiaries or affiliates; and, the respective officers, directors, shareholders, agents, attorneys, contractors and employees of each of the foregoing (in their corporate and individual capacities), along with RELEASEE'S heirs, executors, administrators, successors and assigns, from all actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, executions, claims and demands whatsoever, in law, admiralty or equity, which against the RELEASEE, the RELEASOR, RELEASOR'S heirs, executors, administrators, successors and assigns ever had, now have or hereafter can, shall or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of the date of this RELEASE arising out of or related to the Franchise Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances; provided, however, that nothing contained in this release is intended to disclaim or require RELEASOR to waive reliance on any representation that RELEASEE made in the Franchise Disclosure Document that RELEASEE provided to RELEASOR; and provided further that all liabilities arising under Indiana Code Sec. 23-2-2.7 and/or the Maryland Franchise Registration and Disclosure Law and/or and the Washington Franchise Investment Protection Act (RCW 19.100), and the rules adopted thereunder are excluded from this release, and that all rights enjoyed by RELEASOR under said Franchise Agreement and any causes of action arising in his, her or its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law, Section 687.4 and 687.5 be satisfied. If RELEASOR is domiciled or has his or her principal place of business in the State of California, then RELEASOR hereby expressly waives and relinquishes all rights and benefits under Section 1542 of the California Civil Code, which provides: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS 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."

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

This RELEASE may not be changed orally.

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

RELEASOR

[SEAL]

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

*ACKNOWLEDGMENT FOR BUSINESS ENTITY RELEASOR*

STATE OF \_\_\_\_\_

ss.:

COUNTY OF \_\_\_\_\_

On \_\_\_\_\_, \_\_\_\_\_ before me \_\_\_\_\_, personally came \_\_\_\_\_, to me known, who, by me duly sworn, did depose and say that deponent resides at \_\_\_\_\_, that deponent is the \_\_\_\_\_ of \_\_\_\_\_, the company described in the foregoing RELEASE, and which executed said RELEASE, that deponent knows the seal of the company, that the seal affixed to the RELEASE is the corporate seal, that it was affixed by order of the board of directors or managers of the company; and that deponent signed deponent's name by like order.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

Notary Public

\_\_\_\_\_  
My Commission expires: \_\_\_\_\_

(NOTARIAL SEAL)

*ACKNOWLEDGMENT FOR INDIVIDUAL RELEASOR*

STATE OF \_\_\_\_\_

ss.:

COUNTY OF \_\_\_\_\_

On this \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, before me \_\_\_\_\_, the undersigned  
(Name of Notary)

officer, personally appeared \_\_\_\_\_, to me personally known, and known to me to be the same person whose name is signed to the foregoing RELEASE, and acknowledged the execution thereof for the uses and purposes therein set forth.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

Notary Public

\_\_\_\_\_  
My Commission expires: \_\_\_\_\_

(NOTARIAL SEAL)

**EXHIBIT J TO CRAFTY CRAB FRANCHISING LLC FRANCHISE AGREEMENT**

**GENERAL RELEASE – SUCCESSOR FRANCHISE**

**GENERAL RELEASE**

To all to whom these Presents shall come or may Concern, Know That \_\_\_\_\_ [a corporation / limited liability company organized under the laws of the State of \_\_\_\_\_][an individual domiciled in the State of \_\_\_\_\_] as RELEASOR, in consideration of the execution by CRAFTY CRAB FRANCHISING LLC of a Successor Franchise Agreement, dated \_\_\_\_\_, regarding the franchise between RELEASOR and CRAFTY CRAB FRANCHISING LLC (the "Franchise Agreement"), and other good and valuable consideration, hereby releases and discharges CRAFTY CRAB FRANCHISING LLC as RELEASEE; RELEASEE'S corporate parents, subsidiaries or affiliates; and, the respective officers, directors, shareholders, agents, attorneys, contractors and employees of each of the foregoing (in their corporate and individual capacities), along with RELEASEE'S heirs, executors, administrators, successors and assigns, from all actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, executions, claims and demands whatsoever, in law, admiralty or equity, which against the RELEASEE, the RELEASOR, RELEASOR'S heirs, executors, administrators, successors and assigns ever had, now have or hereafter can, shall or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of the date of this RELEASE arising out of or related to the Franchise Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances; provided, however, that nothing contained in this release is intended to disclaim or require RELEASOR to waive reliance on any representation that RELEASEE made in the Franchise Disclosure Document that RELEASEE provided to RELEASOR; and provided further that all liabilities arising under Indiana Code Sec. 23-2-2.7 and/or the Maryland Franchise Registration and Disclosure Law and/or and the Washington Franchise Investment Protection Act (RCW 19.100), and the rules adopted thereunder are excluded from this release, and that all rights enjoyed by RELEASOR under said Franchise Agreement and any causes of action arising in his, her or its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law, Section 687.4 and 687.5 be satisfied. If RELEASOR is domiciled or has his or her principal place of business in the State of California, then RELEASOR hereby expressly waives and relinquishes all rights and benefits under Section 1542 of the California Civil Code, which provides: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS 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."

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

This RELEASE may not be changed orally.

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

RELEASOR

[SEAL]

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

*ACKNOWLEDGMENT FOR BUSINESS ENTITY RELEASOR*

STATE OF \_\_\_\_\_

ss.:

COUNTY OF \_\_\_\_\_

On \_\_\_\_\_, \_\_\_\_\_ before me \_\_\_\_\_, personally came \_\_\_\_\_, to me known, who, by me duly sworn, did depose and say that deponent resides at \_\_\_\_\_, that deponent is the \_\_\_\_\_ of \_\_\_\_\_, the company described in the foregoing RELEASE, and which executed said RELEASE, that deponent knows the seal of the company, that the seal affixed to the RELEASE is the corporate seal, that it was affixed by order of the board of directors or managers of the company; and that deponent signed deponent's name by like order.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

Notary Public

\_\_\_\_\_

My Commission expires: \_\_\_\_\_

(NOTARIAL SEAL)

*ACKNOWLEDGMENT FOR INDIVIDUAL RELEASOR*

STATE OF \_\_\_\_\_

ss.:

COUNTY OF \_\_\_\_\_

On this \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, before me \_\_\_\_\_, the undersigned

(Name of Notary)

officer, personally appeared \_\_\_\_\_, to me personally known, and known to me to be the same person whose name is signed to the foregoing RELEASE, and acknowledged the execution thereof for the uses and purposes therein set forth.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

Notary Public

\_\_\_\_\_

My Commission expires: \_\_\_\_\_

(NOTARIAL SEAL)



**EXHIBIT K TO CRAFTY CRAB FRANCHISING LLC FRANCHISE AGREEMENT**

**GENERAL RELEASE - ASSIGNMENT**

**GENERAL RELEASE**

To all to whom these Presents shall come or may Concern, Know That \_\_\_\_\_ [a corporation / limited liability company organized under the laws of the State of \_\_\_\_\_][an individual domiciled in the State of \_\_\_\_\_] as RELEASOR, in consideration of the consent of CRAFTY CRAB FRANCHISING LLC to the Assignment of the Franchise Agreement between RELEASOR and CRAFTY CRAB FRANCHISING LLC (the "Franchise Agreement") to \_\_\_\_\_, and other good and valuable consideration, hereby releases and discharges CRAFTY CRAB FRANCHISING LLC as RELEASEE, RELEASEE'S corporate parents, subsidiaries or affiliates and the respective officers, directors, shareholders, agents, attorneys, contractors and employees of each of the foregoing entities (in their corporate and individual capacities), and RELEASEE'S heirs, executors, administrators, successors and assigns, from all actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, executions, claims and demands whatsoever, in law, admiralty or equity, which against the RELEASEE, the RELEASOR, RELEASOR'S heirs, executors, administrators, successors and assigns ever had, now have or hereafter can, shall or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of the date of this RELEASE, including, without limitation, claims arising under federal, state and local laws, rules and ordinances; provided, however, that nothing contained in this release is intended to disclaim or require RELEASOR to waive reliance on any representation that RELEASEE made in the Franchise Disclosure Document that RELEASEE provided to RELEASOR; provided further that all liabilities arising under Indiana Code Sec. 23-2-2.7 and/or the Maryland Franchise Registration and Disclosure Law and/or and the Washington Franchise Investment Protection Act (RCW 19.100), and the rules adopted thereunder are excluded from this release, and that all rights enjoyed by RELEASOR under said Franchise Agreement and any causes of action arising in his, her or its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law, Section 687.4 and 687.5 be satisfied. If RELEASOR is domiciled or has his or her principal place of business in the State of California, then RELEASOR hereby expressly waives and relinquishes all rights and benefits under Section 1542 of the California Civil Code, which provides: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS 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."

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

This RELEASE may not be changed orally.

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

RELEASOR:

[SEAL]

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

*ACKNOWLEDGMENT FOR BUSINESS ENTITY RELEASOR*

STATE OF \_\_\_\_\_

ss.:

COUNTY OF \_\_\_\_\_

On \_\_\_\_\_, \_\_\_\_\_ before me \_\_\_\_\_, personally came \_\_\_\_\_, to me known, who, by me duly sworn, did depose and say that deponent resides at \_\_\_\_\_, that deponent is the \_\_\_\_\_ of \_\_\_\_\_, the company described in the foregoing RELEASE, and which executed said RELEASE, that deponent knows the seal of the company, that the seal affixed to the RELEASE is the corporate seal, that it was affixed by order of the board of directors or managers of the company; and that deponent signed deponent's name by like order.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

Notary Public

\_\_\_\_\_

My Commission expires: \_\_\_\_\_

(NOTARIAL SEAL)

*ACKNOWLEDGMENT FOR INDIVIDUAL RELEASOR*

STATE OF \_\_\_\_\_

ss.:

COUNTY OF \_\_\_\_\_

On this \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, before me \_\_\_\_\_, the undersigned

(Name of Notary)

officer, personally appeared \_\_\_\_\_, to me personally known, and known to me to be the same person whose name is signed to the foregoing RELEASE, and acknowledged the execution thereof for the uses and purposes therein set forth.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

Notary Public

\_\_\_\_\_

My Commission expires: \_\_\_\_\_

(NOTARIAL SEAL)

**EXHIBIT L TO CRAFTY CRAB FRANCHISING LLC FRANCHISE AGREEMENT  
LISTING OF OWNERS OF FRANCHISEE AND OWNERSHIP INTERESTS**

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

1. **Form of Franchisee Owner.** (Please select either (a) or (b) below).

(a) **Individual Proprietorship.** List individual(s):

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

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

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

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

(b) **Corporation, Limited Liability Company, or Partnership.** (CIRCLE ONE) You were incorporated or formed on \_\_\_\_\_, under the laws of the State of \_\_\_\_\_. You have not conducted business under any name other than your corporate, limited liability company, or partnership name and \_\_\_\_\_.

2. **Owners, Directors/Officers.** The following list includes the full name and address of each person who is one of your owners, shareholders, members, partners, directors, officers or an owner of one of your owners, and fully describes the nature of each of their respective ownership interest (attach additional pages, if necessary).

Name: _____ Address: _____ _____ Type of Interest: _____ Number Units Owned: _____ _____ Number Entitled to Vote: _____ % of Total Units of Franchisee: _____ _____ Title (if officer or director): _____	Name: _____ Address: _____ _____ Type of Interest: _____ Number Units Owned: _____ _____ Number Entitled to Vote: _____ % of Total Units of Franchisee: _____ _____ Title (if officer or director): _____
Name: _____ Address: _____ _____ Type of Interest: _____ Number Units Owned: _____ _____ Number Entitled to Vote: _____ % of Total Units of Franchisee: _____ _____ Title (if officer or director): _____	Name: _____ Address: _____ _____ Type of Interest: _____ Number Units Owned: _____ _____ Number Entitled to Vote: _____ % of Total Units of Franchisee: _____ _____ Title (if officer or director): _____

3. **Name and Address of Person to Receive Notice for Franchisee.** (If different than what is stated in the Franchise Agreement)

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

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

\_\_\_\_\_

E-mail Address: \_\_\_\_\_

4. **Identification of the Managing Owner.** The shareholder, member, partner who is responsible for overseeing and supervising the operation of the Restaurant (the “Managing Owner”) as of the Effective Date is \_\_\_\_\_ (must be one of the principal owners listed in Section 2 above). You may not change Managing Owner without our prior written approval.
5. **Update of Exhibit L.** You and your owners agree to update, sign and deliver to us from time to time a revised Exhibit L to reflect all future permitted changes in this information.

**FRANCHISEE:**

[Print Name of Franchisee Entity]

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

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

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

RECEIPT ACKNOWLEDGED:

**FRANCHISOR:**

CRAFTY CRAB FRANCHISING LLC

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

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

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

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

**EXHIBIT B TO FRANCHISE DISCLOSURE DOCUMENT**

**CRAFTY CRAB FRANCHISING LLC AREA DEVELOPMENT AGREEMENT**

**CRAFTY CRAB FRANCHISING LLC  
AREA DEVELOPMENT AGREEMENT**

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### STATE ADDENDA TO AREA DEVELOPMENT AGREEMENT

#### EXHIBITS

- A DEVELOPMENT TERRITORY
- B FIRST UNIT FRANCHISE AGREEMENT YOU AND WE WILL SIGN
- C CONFIDENTIALITY/NON-COMPETITION AGREEMENT
- D CONFIDENTIALITY AGREEMENT (NON-MANAGERIAL PERSONNEL)
- E GUARANTEE
- F LIST OF AREA DEVELOPER'S OWNERS



**CRAFTY CRAB FRANCHISING LLC**  
**AREA DEVELOPMENT AGREEMENT**

This AREA DEVELOPMENT AGREEMENT (this "Agreement") is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ between CRAFTY CRAB FRANCHISING LLC, a Florida limited liability company with its principal office at 3525 Enterprise Way, Green Cove Springs, Florida 32043 ("we," "us," "our" or "Franchisor") and \_\_\_\_\_, whose principal address is \_\_\_\_\_ ("you", "your" or "Area Developer").

**1. INTRODUCTION**

**1.01 The Crafty Crab Businesses, System and Proprietary Marks**

As a result of the expenditure of time, skill, effort and money, we and our affiliates have developed a proprietary system for opening and operating businesses ("Crafty Crab Businesses" or "Businesses") that operate restaurants (each, a "Restaurant") specializing in the sale of Cajun-style seafood and related services and products (the "Crafty Crab System" or the "System"). The System makes use of the mark "Crafty Crab" and certain other trademarks, service marks, trade names, related emblems, designs, labels, trade dress, signs and symbols, copyrighted materials and other intellectual property (together, the "Proprietary Marks").

**1.02 The Area Franchise**

You wish to obtain the right to acquire and operate Crafty Crab franchises in those geographical territories (the "Development Territory") defined below and set forth in Exhibit A to this Agreement and pursuant to a development schedule (the "Development Schedule") defined and set forth in Section 6.01 of this Agreement. We wish to grant you the right to acquire and operate Crafty Crab franchises in the Development Territory and pursuant to the Development Schedule upon the terms and subject to the conditions set forth in this Agreement.

**2. GRANT OF AREA DEVELOPMENT RIGHTS**

**2.01 Area Development Rights**

We grant you, and you accept, the right to and obligation to acquire and operate franchised Crafty Crab Businesses in the Development Territory and pursuant to the Development Schedule upon the terms and subject to the provisions of this Agreement and the terms of each Unit Franchise Agreement (referred to individually as a "Franchise Agreement" and collectively as the "Franchise Agreements") entered into between you and us, and all agreements related to the Franchise Agreements.

**3. TERRITORY**

**3.01 Territorial Grant**

You undertake to own and operate the franchised Crafty Crab Businesses listed in Section 6.01 of this Agreement within the Development Territory set forth by map or written description in Exhibit A of this Agreement. The Development Territory embraces the Franchise Territories (as defined below). Each "Franchise Territory" is the restricted geographic area within which you agree to establish and operate a Crafty Crab Business pursuant to the Franchise Agreements which this Agreement contemplates will be entered into between you and us. The Franchise Territories are set forth in Exhibit **Error! Reference source not found.** to the Franchise Agreement for each subject Crafty Crab Business.

**3.02 Our Restrictions**

Within the Development Territory, we, and our affiliates, subsidiaries and designees (together, the "Affiliates") will not operate a company-owned business of the type contemplated by this Agreement and franchised under the Franchise Agreements, or enter into any other agreement

Initials: Franchisor \_\_\_\_\_ Area Developer \_\_\_\_\_

granting rights to own, develop, or operate Crafty Crab Businesses, all so long as you are not in default under this Agreement and all other related agreements, and except as provided in Section 3.03 ("Rights We Reserve"). These restrictions will terminate immediately upon the expiration or termination of this Agreement for any reason.

You acknowledge that this Agreement confers no marketing exclusivity in the Development Territory on you, and that all Crafty Crab Businesses (whether company-owned, company joint-ventured, franchised or otherwise) may solicit, service, advertise and offer their products and services to any individual or entity, regardless of your or its geographic location, including your Development Territory.

### **3.03 Rights We Reserve**

You acknowledge that we and our Affiliates may have, and may later acquire or develop, rights and property that are not granted to you or may not be designated as part of the Crafty Crab System. You further acknowledge that this Agreement does not create any form of franchise or license with respect to those rights, all of which remain our property. We reserve those rights and all rights not expressly granted in this Agreement. These rights will not be qualified or diminished in any way by implication. For example, and without limitation, we or our Affiliates may own, operate or authorize others to own or operate Crafty Crab Businesses or any other form of Crafty Crab Business subject only to the territorial restrictions provided in Section 3.02 and engage in or authorize others to conduct at any location any form of business including any type of product or service not offered under the Proprietary Marks. Without limiting the generality of this paragraph, we and our Affiliates reserve the following specific rights:

We and our Affiliates may sell within and outside your Territory through any methods of distribution other than a dedicated Crafty Crab Restaurant, including, without limitation, the internet/worldwide web and other forms of electronic commerce; online networks; "800" or similar toll-free telephone numbers (other than those we establish and make available to you for use in your franchised Business(es) hereunder); mail order; catalogues; direct marketing campaigns, including mail and phone solicitations; and, television sales, including "infomercials" (together, "Alternative Distribution Channels").

## **4. TERM**

### **4.01 Term**

The term ("Term") of this Agreement will be for a period beginning on the date we sign this Agreement and extending until the earlier of either the actual or scheduled Date of Execution of the last Franchise Agreement executed pursuant to this Agreement and specified in Section 6.01 of this Agreement, unless sooner terminated in accordance with the provisions of this Agreement.

### **4.02 Notice of Expiration**

If applicable law requires us to give notice of expiration to you at a specified time before the expiration of the Term of this Agreement, and we have not done so, then the term of this Agreement will be extended on a month-to-month basis until we have given you the required notice of expiration and the required period before the expiration of the Agreement becomes effective has expired.

## **5. AREA DEVELOPMENT FEE**

### **5.01 Area Development Fee**

In consideration of our execution of this Agreement, you agree to pay us an area development fee in the amount of \_\_\_\_\_ Thousand Dollars (\$\_\_\_\_\_) (the "Area Development Fee"). The Area Development Fee is calculated as the sum of (i) one hundred percent (100%) of the Initial Franchise Fee for the first Crafty Crab Business to be developed hereunder,

plus (ii) a Ten Thousand Dollar (\$10,000) deposit for each subsequent Crafty Crab Business you are required to establish and operate pursuant to Section 6.01 of this Agreement.

The initial franchise fee for each Crafty Crab Business to be developed pursuant to this Agreement will be calculated according to the following schedule:

<b><u>Crafty Crab Business</u></b>	<b><u>Initial Franchise Fee</u></b>
First Crafty Crab Business	\$30,000
All Subsequent Crafty Crab Businesses	\$20,000

The initial franchise fee for the first Crafty Crab Business has been paid in full as part of the Area Development Fee. For each additional Crafty Crab Business developed hereunder, you will receive a credit of \$10,000 toward the initial franchise fee due for such franchised Business. The balance of the initial franchise fee, or \$10,000, is payable to us in lump sum upon the execution of the Franchise Agreement for the subject Crafty Crab Business. The Area Development Fee is payable in full when you sign this Agreement and will be fully earned when paid. You recognize that we have incurred administrative and other expenses in relation to this Agreement, and that our development opportunities have been lost or curtailed as a result of the territorial rights granted to you in this Agreement. Therefore, we will not refund the Area Development Fee in whole or in part, under any circumstance.

## **6. DEVELOPMENT SCHEDULE**

### **6.01 Development Schedule**

For so long as this Agreement is in effect and you are not in default under the terms of this Agreement or any Franchise Agreement, you will have the right and obligation to execute Franchise Agreements for and commence operations of Crafty Crab Businesses pursuant to the development schedule below (the "Development Schedule"). The Development Schedule sets forth the date on which you must execute the Franchise Agreement for each Business (the "Date of Execution") and the date no later than which you must commence operations of each Business under each Franchise Agreement (the "Commencement of Operations Date").

<b>Business Number</b>	<b>Date of Execution of Franchise Agreement</b>	<b>Commencement of Operations Date</b>
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

You may not develop or commence operations of more than the number of Businesses set forth above without first obtaining our written consent.

A Crafty Crab Business will be considered “developed” if: (a) the Franchise Agreement for the Business has been signed by you and us, and (b) the Crafty Crab Business has commenced operations in accordance with the Franchise Agreement governing the Business.

## **6.02 Failure to Fulfill Development Obligations**

Except as provided in Section 17.01 below (“Unavoidable Delay or Failure to Perform [Force Majeure]”), if you fail to adhere to the Development Schedule in Section 6.01 by either: (1) failing to execute the Franchise Agreement for each franchised Business on or before the Date of Execution specified above, or (2) failing to commence operations of each franchised Business on or before the applicable Commencement of Operations Date specified above, then this will constitute a material breach of this Agreement, which, unless you cure it as provided in Section 15.03 of this Agreement, will result in this Agreement being terminated immediately.

Termination of this Agreement for this reason will not be a termination (constructive or otherwise) of any Unit Franchise Agreement(s) entered into by you and us under which you have already commenced the operation of the franchised Crafty Crab Businesses covered by the Unit Franchise Agreement(s) if you have fully performed and otherwise been in compliance with all of your obligations under the Unit Franchise Agreement(s) in question. The undeveloped balance of your Development Territory will revert to us, and we may operate or franchise Crafty Crab Businesses within the undeveloped balance of the Development Territory without in any way being in violation of this Agreement. This remedy of ours will be in addition to whatever other remedies we may have at law or in equity.

## **6.03 Time is of the Essence**

**Subject to the provision of Section 17.01 below (“Unavoidable Delay or Failure to Perform [Force Majeure]”), your timely performance of your obligations under Article 6 of this Agreement is of material importance and is of the essence to this Agreement.**

# **7. EXECUTION OF FRANCHISE AGREEMENTS**

## **7.01 Execution of Franchise Agreements**

You and we will execute a Franchise Agreement for each Business provided for in the Development Schedule. Each Franchise Agreement will be in the form of our then-current Franchise Agreement, modified as follows: (a) you need not pay any Initial Franchise Fee (as defined in the Franchise Agreement), and (b) the Continuing Royalty (as defined in the Franchise Agreement), System Advertising Fund Contribution (as defined in the Franchise Agreement), and local advertising requirements imposed on you by the Franchise Agreement will not be greater than those set forth in the first Franchise Agreement that you will sign (a copy of which is attached to this Agreement as Exhibit B). Each Franchise Agreement will be executed according to the following procedure:

(1) Not less than sixty (60) days (and no more than ninety days) before the scheduled Date of Execution of the Franchise Agreement for the franchise to be conveyed, you shall request in writing (by email or otherwise) that we furnish to you a copy of our then-current applicable Crafty Crab Franchise Disclosure Document, including our then-current applicable form of Crafty Crab Franchise Agreement, modified as provided above (collectively, the “Franchise Disclosure Document”).

(2) Promptly upon receipt of your request, we will deliver to you a copy of our then-current Franchise Disclosure Document. You must acknowledge receipt by executing the Receipt form prescribed in the Franchise Disclosure Document and promptly returning the Receipt to us.

(3) No sooner than fourteen (14) calendar days but no later than twenty (20) business days after you receive our Franchise Disclosure Document, you must, by written notice, notify us as

to whether or not you elect to execute our then-current form of Franchise Agreement (modified as provided above) for the Business.

(4) Promptly upon our receipt of your notice that you elect to execute our then-current form of Franchise Agreement (modified as provided above), we will furnish to you one or more execution copies of the Franchise Agreement. Promptly upon receipt of these execution copies, you must execute them and return them to us.

If you fail to perform any of the acts or fail to deliver any of the notices required pursuant to the provisions of subsections (1), (2), (3) or (4) above in a timely fashion, this will be a material and incurable breach of this Agreement which, unless we waive the breach, will entitle us to terminate this Agreement immediately on notice to you, with no opportunity to cure.

## **8. OUR DUTIES**

### **8.01 Duties of Franchisor**

So long as you are not in default of this Agreement or the Franchise Agreements, we will grant you the right and obligation to acquire and operate Crafty Crab franchises in the Development Territory and pursuant to the Development Schedule, upon the terms and subject to the provisions of this Agreement and the terms of each Franchise Agreement entered into between you and us and of all documents related to this Agreement and the Franchise Agreement, and to use solely and in connection with these Franchise Agreements the Crafty Crab System as it may be changed, improved, modified or further developed from time to time, in the Development Territory as defined in this Agreement and upon the terms and subject to the provisions of this Agreement and the terms of all documents related to this Agreement and the Franchise Agreements.

Pursuant to the Franchise Agreements and under their terms, we will offer and perform the training, instruction, assistance and other activities for which the Franchise Agreements provide.

## **9. YOUR DUTIES**

### **9.01 Payments to Us**

In addition to all other payments under this Agreement, you agree to pay us (or our Affiliates) immediately upon demand:

1. All sales taxes, trademark license taxes and any other taxes, imposed on, required to be collected, or paid by us or our Affiliates (excluding any corporate income taxes imposed on us or our Affiliates) because we or our Affiliates have furnished services or products to you or collected any fee from you.
2. All amounts we advanced, or which we have paid, or for which we have become obligated to pay, on your behalf for any reason.
3. All amounts due to us (or our Affiliates) any other reason.

All payments due to us from you under this Agreement must be paid by check transmitted to our headquarters address, except that we reserve the right to require deposit of payments elsewhere and/or payment by wire transfer or other form of electronic funds transfer.

### **9.02 Compliance with Franchise Agreement, Brand Standards, and Laws, Rules and Regulations**

You agree to abide by and faithfully adhere to the terms of each Franchise Agreement signed pursuant to this Agreement.

You further agree, in regard to your area development business hereunder, to abide by and faithfully adhere to our confidential operating manuals (the "Brand Standards"). The Brand Standards may take the form of one or more of the following: one or more loose leaf or bound volumes; bulletins;

notices; videos; CD-ROMS; computer software; other electronic media; online postings; e-mail and/or electronic communications; facsimiles; or, any other now or hereafter developed medium capable of conveying the Brand Standards' contents. The Brand Standards will, among other things, set forth our operating systems, procedures, policies, methods, standards, specifications and requirements for operating your franchised Business. You must at all times operate your area development business in strict compliance with the Brand Standards. We have the right to prescribe additions to, deletions from or revisions of the Brand Standards (the "Supplements to the Brand Standards"), all of which will be considered a part of the Brand Standards. All references to the Brand Standards in this Agreement will include the Supplements to the Brand Standards. Supplements to the Brand Standards will become binding on you as if originally set forth in the Brand Standards, upon being delivered to you.

You further agree to develop and operate the franchised Crafty Crab Businesses in strict compliance with all applicable laws, rules and regulations of all governmental authorities; to comply with all applicable wage, hour and other laws and regulations of the federal, state and local governments; to prepare and file all necessary tax returns; to pay all taxes imposed upon you related to the Businesses; and, to obtain and keep in good standing all necessary licenses, permits and other required forms of governmental approval required of you.

### **9.03 Indemnification**

You hereby agree that you will, at your sole cost, at all times defend and hold harmless us, our Affiliates, and the corporate affiliates, subsidiaries, successors, assigns and designees of each, and the respective directors, officers, employees, agents, attorneys, shareholders, designees, contractors and representatives of each (we and all others referenced above, the "Indemnitees"), and indemnify, reimburse and hold harmless us and the other Indemnitees to the fullest extent permitted by law, against all claims, losses, liability and costs (as denominated in the following paragraph) incurred in connection with any judicial, administrative or arbitration action or proceeding (including bankruptcy, insolvency, debtor/creditor or similar proceedings), suit, claim, demand, investigation, or formal or informal inquiry (regardless of whether any of the foregoing is reduced to judgment) or any settlement of the foregoing, which actually or allegedly, directly or indirectly, arises out of, is based, upon, is a result of or is related to any of the following:

1. Any element of your entry into this Agreement;
2. Claims of any type or nature advanced by or against you or any of your officers, directors, shareholders, partners, proprietors, management, agents, employees, affiliates representatives and contractors (or any third party acting on your behalf or at your direction) by a third party (or, as applicable, against a third party) or between or among themselves;
3. Your alleged or actual infringement or violation of any patent, mark or copyright or other proprietary right owned or controlled by third parties;
4. Your alleged or actual violation or breach of any contract, federal, state, local, foreign or other law, rule or regulation;
5. Libel, slander or any other form of defamation by you;
6. Your alleged or actual violation or breach of any warranty, representation, agreement or obligation set forth in this Agreement;
7. Any acts, errors, neglects or omissions by you and/or your officers, directors, shareholders, management, employees, agents, servants, contractors, partners, proprietors, affiliates or representatives (or any third party acting on your behalf or at your direction), whether or not any of the foregoing was approved by us;

8. Any damage to the property, or injury or death, suffered by you, us, any of our Affiliates, or their, our or your officers, directors, management, agents, employees and contractors, including (without limitation) any property damage, injury or death suffered or caused by any contractor or vehicle serving your area development business hereunder;
9. Any claim, however and wherever asserted, that we or our affiliates are the employer, joint employer or co-employer of you and/or your employees (including, without limitation, any claims against us for your violation of any federal, local or state labor and/or wage and hour laws, rules or regulations);
10. Your offer, sale and/or delivery of securities, equity interests or other ownership interests in you or your area development business hereunder; and
11. All activities, conduct and representations which you may engage in connected to any actual or attempted assignment (as defined in Section 12.02) of any interest whatsoever in your area development business hereunder; and, any action by any visitor to any facility operated in conjunction with your area development business hereunder.

As used herein, the phrase "claims, losses, liabilities and costs" includes all claims; causes of action; fines; penalties; liabilities; losses; employment liabilities; compensatory, exemplary, statutory or punitive damages or liabilities; costs of investigation; lost profits; court costs and expenses; reasonable attorneys' and experts' fees and disbursements; settlement amounts; judgments; compensation for damage to our reputation and goodwill; costs of or resulting from delays; travel, food, lodging and other living expenses necessitated by the need or desire to appear before (or witness the proceedings of) courts or tribunals (including arbitration tribunals), or government or quasi-governmental entities (including those incurred by the Indemnitees' attorneys and/or experts); all expenses of compensation and public notices; and, other such amounts incurred in connection with the matters described. All such losses and expenses incurred under this indemnification provision will be chargeable to and paid by you pursuant hereto, regardless of any actions, activity or defense undertaken by us or the subsequent success or failure of the actions, activity or defense.

Specifically excluded from the indemnity you give hereby is any liability associated with our or the other Indemnitees' gross negligence, willful misconduct or criminal acts (except to the extent that joint liability is involved, in which event the indemnification provided herein shall extend to any finding of comparative or contributory negligence attributable to you).

You agree to give us written notice of any suit, proceeding, claim, demand, inquiry or any other event that could be the basis for a claim for indemnification hereunder by any Indemnitee within three days of your actual or constructive knowledge of it. At your expense and risk, we may elect to assume (but under no circumstance will we be obligated to undertake) the defense and/or settlement of the action, suit, proceeding, claim, demand, inquiry or investigation. However, we will seek your advice and counsel and keep you informed with regard to the defense or contemplated settlements. Our undertaking of defense and/or settlement will in no way diminish your obligation to indemnify us and the other Indemnitees and to hold us and them harmless. If you or any of your affiliates and the Indemnitees (or any one of them) are named as co-defendants, and there is a conflict of interest between them such that they cannot be represented by common counsel, then the Indemnitees may retain separate counsel at your expense and you will promptly reimburse the Indemnitees for all costs and attorneys' fees incurred upon request and as they are incurred.

We will have the right, at any time we consider appropriate, to offer, order, consent or agree to settlements or take any other remedial or corrective actions we consider expedient with respect to the action, suit, proceeding, claim, demand, inquiry or investigation if, in our sole judgment, there are reasonable grounds to do so. You will not settle or compromise any legal action in which any

Indemnitee is a defendant without our prior written consent, which we may grant or withhold in our sole discretion and business judgment. Under no circumstances will we or the other Indemnitees be required to seek recovery from third parties or otherwise mitigate their losses to maintain a claim against you. You agree that any failure to pursue recovery from third parties or mitigate loss will in no way reduce the amounts recoverable by us or the other Indemnitees from you. The indemnification obligations of this Section 9.03 will survive the expiration or sooner termination of this Agreement.

#### **9.04 Business Entity Franchisee Requirements**

If you are a corporation, limited liability company, limited partnership or any other type of business entity, you must comply with the following requirements (which will also apply to any assignee of this Agreement which is a business entity):

1. Furnish us with all of your formation, organizational and governing documents; a schedule of all current owners (indicating as to each its percentage ownership interest) in the form annexed hereto as Exhibit F; any shareholders, partnership, membership, buy-sell or equivalent agreements and documents; and, a list of all your officers, directors and managers (as applicable).

2. Confine your activities to the operation of your franchised Business, and your governing documents must provide that your activities are confined exclusively to the operation of your franchised Crafty Crab Business(es).

3. You must promptly notify us in writing of any change in any of the information specified, or in any document referred to, herein.

4. Maintain stop transfer instructions against the transfer on the records of any of your equity securities, and not issue or have outstanding any securities on the face of which the following printed legend does not legibly and conspicuously appear:

"The transfer of this security is subject to the terms and conditions of an Area Development Agreement with Crafty Crab Franchising LLC, dated \_\_\_\_\_. Reference is made to the provisions of this Area Development Agreement and to the governing documents of the issuer. Please refer to those documents for the terms of the restrictions."

5. All of your business entity's organizational documents (including any partnership, partnership agreements, incorporation documents, organization/formation documents, bylaws, operating agreements, shareholders agreements, buy/sell or equivalent agreements, and trust instruments) will recite that the issuance or transfer of any interest in you is restricted by the terms of this Agreement, and that the sole purpose for which you are formed (and the sole activity in which you are or will be engaged) is the conduct of a franchised Crafty Crab Business(es) pursuant to one or more area development and/or franchise agreements from us and that your activities will be exclusively confined to such purpose. Your organizational documents will also include a "Supremacy of Area Development Agreement" clause reciting the following: "To the extent any provision of this Agreement conflicts, violates or is inconsistent with any provision of the Crafty Crab Franchising LLC Area Development Agreement, the parties hereto agree that the provisions of such Area Development Agreement shall supersede the same and that the parties hereto shall enter into such amendments to this agreement as are necessary in order to make the relevant provisions consistent with or non-violative of the provisions of the Crafty Crab Franchising LLC Area Development Agreement."

6. Without our prior written consent (which shall not be unreasonably withheld, delayed or conditioned), you may not permit any mortgage, lien, pledge or other security interest in respect of any of your business entity's shares, equity interests or other ownership interests. Any violation of this restriction will give us the right to terminate this Agreement immediately upon notice to you.



## **9.05 Best Efforts; Cooperation with Us**

You agree to act in good faith and use your best efforts to comply with your obligations under this Agreement, and to cooperate with us in accomplishing the purposes of this Agreement.

## **9.06 Your Participation in Operations**

A. You agree to devote your full time and efforts to the performance of your duties under this Agreement, and a failure to do so will constitute a material breach of this Agreement, which, unless cured as provided in Section 15.03 of this Agreement, will result in this Agreement being terminated in accordance therewith.

B. Upon the execution of this Agreement, you must designate, and must retain at all times during the Term, an individual to serve as your business to oversee the general development and operation of your Restaurants (“Area Manager”). If you are an individual, you must perform all obligations of the Area Manager. If you are a business entity, prior to engaging the services of an Area Manager, you must identify such individual to us. The Area Manager must be qualified and approved, in our business judgment, to oversee multi-unit operations and must have attended and successfully completed, or promptly attend and successfully complete, our Initial Training Program (as described in the first unit Franchise Agreement we sign for your first Crafty Crab Business, for form of which is attached hereto). The Area Manager must execute the “Confidentiality/Non-Competition Agreement” attached as Exhibit C to this Agreement.

1. The Area Manager must maintain a direct or indirect ownership interest of not less than twenty percent (20%) in you. Except as may otherwise be provided in this Agreement, the Area Manager’s interest in you must be and remain free of any pledge, mortgage, hypothecation, lien, charge, encumbrance, voting agreement, proxy, security interest or purchase right or options. The Area Manager must execute this Agreement, and must be individually, jointly and severally, bound by all your obligations hereunder.

2. You may, at your option and subject to our written consent, designate one or more district managers to work under the supervision of the Area Manager to supervise the operation of all Restaurants developed and operated by you (and, if applicable, your affiliates) within a geographic subset of all Restaurants to be developed and operated pursuant to this Agreement (each a “District Manager”); provided however, that you and your Area Manager will remain fully responsible for any District Manager’s performance. The District Manager, if appointed, must also be identified to us and approved by us, must promptly attend and successfully complete our Initial Training Program (at your expense), and must execute the “Confidentiality/Non-Competition Agreement” attached as Exhibit C to this Agreement.

3. Unless a District Manager is designated pursuant to Section 9.06(B)(2), your Area Manager must devote full time and best efforts to the supervision of the Restaurants operated by you and, if applicable, your affiliates, and, without our written consent, must not engage in any other business. The foregoing provision will not apply if a District Manager is designated, provided, the District Manager must devote his or her full time and best efforts to the supervision and operation of the Crafty Crab Restaurants conducted by you and, if applicable, your affiliates.

4. You may also appoint several Restaurant-level managers (each, an “Operating Manager”) to oversee the day-to-day operations of each of the Restaurants developed and operated by you (and, if applicable, your affiliates) pursuant to this Agreement, in accordance with the terms of the Franchise Agreement for each Restaurant developed hereunder. Each Operating Manager must execute such confidentiality and/or non-competition agreement as required by the applicable Franchise Agreement.

5. The Area Manager, any District Manager and any Operating Manager must meet our qualifications, as set forth in this Agreement, the Brand Standards, or otherwise in writing and, without limitation, must be empowered with authority to act for and on your behalf.

6. All non-managerial personnel whom you hire to assist you with your area development business must sign our form of Confidentiality Agreement annexed hereto as Exhibit D.

7. You must immediately notify us within five (5) days upon the death, disability or termination of employment of your Area Manager (or any District Manager), for any cause or reason, or if your Area Manager (or any District Manager) no longer qualifies as such. You must designate a successor or acting Area Manager (or any District Manager) promptly and, in any event, no later than ten (10) days following the death, disability or termination of the predecessor Area Manager (or any District Manager). The above protocols and procedures governing your proposal and our approval of your initial Area Manager (or any District Manager) shall apply to any successor Area Manager (or any District Manager) you may propose. Any successor Area Manager (or any District Manager) must possess those credentials set forth in our Brand Standards, must attend and successfully complete our next scheduled Initial Training Program and must attend and successfully complete such other reasonable training at such times as we may specify, all at your expense. The failure to employ and train a successor Area Manager (or any District Manager) will constitute a material breach of this Agreement.

### **9.07 Anti-Terrorism, Anti-Corruption**

You represent and warrant to us that, as of the date of this Agreement and at all times during the term hereof, and to your actual or constructive knowledge, neither you, any affiliate of yours, any individual or entity having a direct or indirect ownership interest in you or any such affiliate (including any shareholder, general partner, limited partner, member or any type of owner), any officer, director, manager, or management employee of any of the foregoing, nor any funding source you utilize is or will be identified on the list of the U.S. Treasury's Office of Foreign Assets Control (OFAC); is directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government or by any individual that is subject to an embargo imposed by the United States government; is acting on behalf of any country or individual that is subject to such an embargo; or, is involved in business arrangements or other transactions with any country or individual that is subject to an embargo. You agree that you will immediately notify us in writing immediately upon the occurrence of any event which would render the foregoing representations and warranties incorrect. Notwithstanding anything to the contrary in this Agreement, you may not allow, effect or sustain any transfer, assignment or other disposition of this Agreement to a "Specially Designated National or Blocked Person" (as defined below) or to an entity in which a "Specially Designated National or Blocked Person" has an interest. For the purposes of this Agreement, "Specially Designated National or Blocked Person" means: (i) a person or entity designated by OFAC (or any successor officer agency of the U.S. government) from time to time as a "specially designated national or blocked person" or similar status; (ii) a person or entity described in Section 1 of U.S. Executive Order 13224, issued on September 23, 2001; or, (iii) a person or entity otherwise identified by any government or legal authority as a person with whom you (or any of your owners or affiliates) or we (or any of our owners or affiliates) are prohibited from transacting business.

You further agree that you will not hire, retain, employ or otherwise engage the services of any individual or entity in contravention of the Patriot Act; any law, rule or regulation pertaining to immigration or terrorism; or, any other legally prohibited individual or entity.

You represent and warrant that neither you, nor any entity or individual having an ownership interest in you; nor any affiliate of either yours; nor any officer, director, employee, contractor or servant of any of the foregoing, has in the past, currently does or will in the future support terrorism; provide money or financial services to terrorists; is engaged in terrorism; is on the current United States government list of organizations that support terrorism; has been engaged in or been convicted of fraud, corruption, bribery, money laundering, narcotics trafficking or other crimes; and, that all of the foregoing individuals are eligible under applicable United States Immigration laws to travel to the United States for training or any other purpose. You are solely responsible for ascertaining what actions you must take to comply with all anti-terrorism and anti-corruption laws,

and you specifically acknowledge and agree your indemnification responsibilities as provided in this Agreement pertain to your obligations under this Section 9.07. Any misrepresentation by you under this Section 9.07. or any violation of any anti-terrorism or anti-corruption laws by you, your owners, or employees will constitute grounds for immediate termination of this Agreement and any other agreement you have entered into with us or any of our affiliates.

## **10. CONFIDENTIAL INFORMATION**

### **10.01 Restriction on Use of Confidential Information**

You agree that you will not, during the Term of this Agreement or thereafter, divulge to or use for the benefit of any other person(s), partnership, proprietorship, association, corporation or entity, any confidential information, knowledge or know-how concerning your or our systems of operation, programs, services, products, customers or practices and/or pertaining to the Crafty Crab System which may be communicated to you. Any and all information, knowledge, know-how, techniques and information which we, our Affiliates, or their respective officers, designate as confidential will be deemed confidential for the purposes of this Agreement, except information which you can demonstrate came to your attention before our disclosure or which, at or after the time of our disclosure to you, has become a part of the public domain through publication or communication by others.

## **11. COVENANTS NOT TO COMPETE**

### **11.01 Covenants Not to Compete**

You agree that during the Term of this Agreement, and for two years immediately following the expiration or termination of this Agreement for any reason within the geographical area described below, you will not directly or indirectly engage in any other business which offers or sells cajun-style seafood services or products; which offers or sells related products, services or programs; which engages in any of the activities which this Agreement contemplates that you will engage in; or, which offers or sells any other service, product or component which now or in the future is part of the Crafty Crab System, or any confusingly similar service or product (a "Competitive Business").

During the Term and any renewal term (if any) of this Agreement, you are prohibited from directly or indirectly engaging in any Competitive Business as a proprietor, partner, investor, shareholder, director, member, officer, manager, employee, principal, agent, adviser, or consultant. In addition, you agree not to divert any business that should be handled by your franchised business to any other person or entity.

For two (2) years immediately following (a) the expiration or termination or assignment (as defined in Section 12.02, below) of this Agreement for any reason or (b) the date on which all persons restricted by this Section 11.01 begin to comply with this Section 11.01, you are prohibited from directly or indirectly engaging in, aiding, assisting, serving or participating in any Competitive Business as a proprietor, partner, investor, shareholder, director, member, officer, manager, employee, principal, agent, adviser, or consultant, if the other business is located within your Development Territory, within ten (10) miles of the perimeter of your Development Territory, or within ten (10) miles of the perimeter of (or within) any Crafty Crab Business Territory (whether Company-owned, franchised or otherwise established and operated).

It is the intention of these provisions to preclude not only direct competition but also all forms of indirect competition, such as consultation for Competitive Businesses, service as an independent contractor for Competitive Businesses, or the provision of any assistance or transmission of information of any kind which would be of any material assistance to a competitor. Nothing in this Section will prevent you from owning for investment purposes no more than an aggregate of 5% of the capital stock of any Competitive Business you do not control and whose stock is listed on the New York Stock Exchange or the National Association of Securities Dealers Automated Quotation

System. It is the intention of these provisions that any person or entity with any legal or beneficial interest in or traceable to or through you be bound by the provisions of this covenant.

You agree to obtain the execution of our Confidentiality/Non-Competition Agreement (Exhibit C) from the following persons and to cause them to refrain from the competitive activities described above: (a) before employment or any promotion, your Area Manager, District Manager (if any), Operating Managers, any personnel you employ who have received or will receive training from us, all your other managerial employees and any other managerial personnel; and (b) if you are a Business Entity, all your officers, directors, equity holders, members and those of any Business Entity directly or indirectly controlling you, at the same time as the execution of this Agreement (or at such later time as they assume such status). You must furnish us with copies of all signed Confidentiality/Non-Competition Agreements no later than ten (10) days following their execution. You also agree to obtain the execution, from all other non-managerial personnel of your area development business hereunder, the "Confidentiality Agreement" attached as Exhibit D to this Agreement, and to cause them to refrain from the competitive activities described above.

You agree to prosecute to the fullest extent permitted by law breaches of any Confidentiality/Non-Competition Agreement or Confidentiality Agreement executed pursuant to this Section 11.01 and you acknowledge our right, to be exercised in our sole business judgment, to ourselves enforce the terms of each executed Confidentiality/Non-Competition Agreement and Confidentiality Agreement.

#### **11.02 Enforcement of Covenants Not To Compete**

The covenants not to compete set forth in this Agreement are fair and reasonable, and will not impose any undue hardship on you, since you have other considerable skills, experience and education which afford you the opportunity to derive income from other endeavors. You agree that such covenants not to compete: (a) are reasonable, including, but not limited to, their term, geographical area, and scope of activity to be restrained; (b) are designed to preclude competition which would be unfair to us; and (c) do not impose a greater restraint than is necessary to protect our goodwill and other legitimate business interests. You acknowledge that violation of the covenants not to compete in this Agreement would constitute a material breach of this Agreement and would result in immediate and irreparable injury to us for which no adequate remedy at law will be available. You therefore consent to the entry of an injunction prohibiting any conduct by you in violation of the terms of these covenants not to compete, without the necessity of our posting any bond or security. You agree that it may conclusively be presumed that any violation of the terms of the covenants not to compete was accomplished by and through your unlawful use of our Confidential Information, know-how, methods and procedures. You also agree that any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants not to compete in this Agreement. You agree to pay all costs and expenses, including reasonable attorneys' and experts' fees, that we incur in connection with the enforcement of the covenants not to compete set forth in this Agreement.

#### **11.03 Lesser Included Covenants Enforceable At Law**

If all or any portion of the covenants not to compete set forth in this Article 11 are held unreasonable, void, vague or illegal by any court or agency with competent jurisdiction over the parties and subject matter, the court or agency will be empowered to revise and/or construe the covenants to fall within permissible legal limits, and should not by necessity invalidate the entire covenants. You agree to be bound by any lesser covenant subsumed within the terms of this Article 11 as if the resulting covenants were separately stated in and made a part of this Agreement.

## 12. ASSIGNMENT

### 12.01 Assignment By Us

We will have the right to assign this Agreement, and all of our rights and privileges under this Agreement, to any person, firm, corporation or other entity, provided that, if the assignment results in the performance by the assignee of our functions under this Agreement: the assignee must, at the time of the assignment, be financially responsible and economically capable of performing our obligations under this Agreement, and the assignee must expressly assume and agree to perform these obligations.

You acknowledge that we will have the right to sell our company, our assets, our Proprietary Marks and/or our System to a third party; sell privately or publicly some or all of our securities; and/or undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring, and that we and our Affiliates have the right to purchase, merge, acquire, be acquired by or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that network's, chain's or business's facilities, and to operate, franchise or license those businesses and/or facilities as Crafty Crab Businesses operating under the Proprietary Marks or any other marks following the purchase, merger, acquisition or affiliation, regardless of the location of these facilities, which may be within the Territory and near your Restaurants.

We have the right to delegate the performance of any portion or all of our obligations under this Agreement to third party designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations. If we do so, such third-party designees will be obligated to perform the delegated functions for you in compliance with this Section 12.01.

### 12.02 Assignment By You – General

Your rights and obligations under this Agreement are personal because we have entered into this Agreement in reliance on and in consideration of your singular personal trust, confidentiality, skill and qualifications (or, if you are an entity, the personal trust, confidentiality, skill and qualifications of your owners and employees). Therefore, except as provided below, neither your interest in this Agreement, your rights, privileges or obligations under this Agreement, the franchised Business, the Restaurant, nor any interest in the franchised Business, the Restaurant or a Business Entity Franchisee (including any capital stock, membership, partnership or proprietary interest of you or anyone who controls you), may be assigned, sold, transferred, shared, reconsidered, sublicensed or divided, voluntarily or involuntarily, directly or indirectly, in one or a series of related transactions, by operation of law or otherwise (each, an "assignment"), without first obtaining our written consent as provided in this Article 12. Any assignment in violation of this Article 12 will be null, void and of no effect.

### 12.03 Assignment By You – To A Business Entity You Form

We will not unreasonably withhold or delay our consent to your assignment to a Business Entity that you form solely for the convenience of entity ownership if all the following conditions are met:

1. The Business Entity is newly formed and each requirement in Sections 9.04 and 18.15 has been satisfied.
2. Each individual involved in the new entity has the same proportionate ownership interest in the new entity as he or she had in your franchised Business(es) before the assignment.

3. You and the new entity sign an agreement with us under which you and the new entity are jointly and severally liable for all the obligations under this Agreement and bound by all the terms, conditions and covenants of this Agreement.
4. Each present and future equity holder in the new entity signs our Confidentiality/Non-Competition Agreement in the form of Exhibit C to this Agreement.

#### **12.04 Assignment By You – Transfer Upon Death or Disability**

Upon your death or long-term disability (if you are an individual) or the death or disability of any "Key Equityholder" as defined below (if you are a Business Entity), that person's rights will pass to his or her estate, heirs, legatees, guardians or representatives, as appropriate (collectively, the "Estate"). "Key Equityholder" means a 25% shareholder, member, partner or proprietor of the Franchisee as of the Effective Date.

The Estate may continue the operation of the franchised Business if: (i) the Estate provides a competent and qualified individual acceptable to us to serve as Area Manager and operate your Crafty Crab Businesses on a full-time basis, and (ii) this individual assumes full-time operation of the Businesses as Area Manager within one month of the date the person dies or becomes disabled. If the Estate does not designate an Area Manager or the Estate's designated Area Manager does not assume the full-time operation of the franchised Business within one month, this will be a material breach of this Agreement which, unless cured by the Estate as provided in Section 15.03, will result in this Agreement being terminated immediately.

#### **12.05 No Encumbrance**

You will have no right to pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement, the Franchise Agreements or the Businesses in any manner without our prior written permission, which we may withhold for any reason.

### **13. PROPRIETARY MARKS**

#### **13.01 Not a License of the Proprietary Marks**

You acknowledge and agree that nothing contained in this Agreement will be deemed to constitute a license to you to use or display any of the Proprietary Marks in any manner. You will acquire a limited, non-exclusive license to use the Proprietary Marks only pursuant to, and to the extent that these rights are granted by, Franchise Agreements executed by you and us pursuant to this Agreement.

#### **13.02 Non-Use of Trade Name**

If you are a Business Entity, you may not use our Proprietary Marks or any confusingly similar words or symbols, in your entity name. In particular, you may not use the words "Crafty Crab," "Crafty Crab Franchising LLC," or any variant as part of your Business Entity name.

#### **13.03 Injunction**

You explicitly affirm and recognize the unique value and secondary meaning attached to the Crafty Crab System and the Proprietary Marks. Accordingly, you agree that any non-compliance by you with the terms of this Agreement, or any unauthorized or improper use of the Crafty Crab System or the Proprietary Marks by you, will cause irreparable damage to us and other Crafty Crab franchisees. You therefore agree that if you engage in this non-compliance, or unauthorized and/or improper use of the Crafty Crab System or Proprietary Marks, during or after the period of this Agreement, we will be entitled to both temporary and permanent injunctive relief against you from any court of competent jurisdiction, in addition to all other remedies which we may have at law. You consent to the entry of these temporary and permanent injunctions.

## 14. RELATIONSHIP OF THE PARTIES

### 14.01 Independent Contractor; No Third Party Beneficiaries

You are and will be our independent contractor under this Agreement. Nothing in this Agreement may be construed to create a partnership, joint venture, agency, employment or fiduciary relationship of any kind. Neither you nor any of your employees whose compensation you pay may in any way, directly or indirectly, expressly or by implication, be construed to be our employee for any purpose. You will be solely responsible for your employees and all employment related decisions, including, without limitation, decisions concerning wages and benefits, hiring and discharging, training and supervision and work schedules of employees. You are not empowered to, and may not, make any express or implied agreements, warranties, guarantees or representations or incur any debt or other obligations in our name or for our account (or for those of any of our Affiliates). Except as expressly provided in this Agreement, we will have no control or access to your funds or their expenditure or in any other way exercise control over your franchised Business. You must communicate to all your employees that you, not us, are their employer; and you must ensure that no payroll checks or other employment-related documents (such as job applications and W-2s) contain or reference the Proprietary Marks or our name. Each of the parties will file its own tax, regulatory, and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof.

You agree to conspicuously identify yourself, your area development business, your franchised Businesses, your Restaurants, and any other facilities of your franchised Businesses in all dealings with third parties as an independent Crafty Crab franchised Business and to place notice of independent ownership on all forms, business cards, stationery, advertising, signs and other materials in the manner that we specify and require from time to time, in our Brand Standards or otherwise.

All of our obligations under this Agreement are to you alone and no other party is entitled to rely on, enforce or obtain relief for breach of any of our obligations hereunder, either directly or by subrogation.

You promise that you will not avail yourself of any rights or remedies at law or in equity that may arise from an assertion that: (i) you are our agent, legal representative, subsidiary, joint venturer, partner, employee, or servant; or (ii) we are a joint employer for your employees. If such a claim is brought against us, we may use your covenant in this Section 14.01 as an absolute defense against such claim. Further, if any such claim is brought against us or our affiliates and subsidiaries, and their respective current and former officers, directors, shareholders, partners, employees, predecessors, successors, attorneys, agents, representatives, and assigns, you will indemnify, defend, and hold harmless any such party from and against any such claim.

### 14.02 Your Required Means of Identification

You agree that you will do business and be identified as an Area Developer, but not an agent of, Crafty Crab Franchising LLC.

## 15. DEFAULT AND TERMINATION

### 15.01 Termination By Us – Automatic Termination Without Notice

You will be in default of this Agreement, and all rights granted in this Agreement will immediately and automatically terminate and revert to us without notice to you, if: you become insolvent; you or any of the Businesses or any Guarantor thereof is adjudicated as bankrupt or insolvent; all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor or creditors; a petition in bankruptcy is filed by or against you or any of the Businesses or Guarantor thereof and is not immediately contested and thereafter dismissed or vacated within sixty

(60) days from filing; you admit in writing your inability to pay your debts when due; you, your franchised Business(es) and any affiliate or Guarantor thereof cause, permit or acquiesce in an order for relief under the U.S. Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency, reorganization, receivership or other similar law now or hereafter in effect, or consent to the entry for an order for relief in an involuntary proceeding or to the conversion of an involuntary proceeding to a voluntary proceeding, under any such law; a bill in equity or other proceeding for the appointment of a receiver or other custodian of you, any of the Businesses, any Guarantor thereof or assets of any of them is filed and consented to by any of them; a receiver or other custodian (permanent or temporary) of all or part of the assets or property of you, any of the Businesses or any Guarantor thereof is appointed by any court of competent jurisdiction; proceedings for a composition with creditors under any state or federal law are instituted by or against you or any of the Businesses or any Guarantor thereof; you are dissolved; execution is levied against you, any of the Businesses or any Guarantor thereof or your property; the real or personal property of or any of the Businesses or any Guarantor thereof is sold after levy thereon by any governmental body or agency, sheriff, marshal, constable or other person authorized under federal, state and/or local law; a final court judgment against you remains unsatisfied or of record for thirty (30) days or longer (unless supersede as bond is filed); a judicial or non-judicial action to foreclose any lien or mortgage against any of your System Restaurant premises or equipment is instituted against you and is not dismissed or settled by the earlier of (i) thirty (30) days from commencement or (ii) consummation of such sale; or, if you are a business entity, your governing body adopts any resolution or otherwise authorizes action to approve any of the foregoing activities.

#### **15.02 Termination By Us Upon Notice – No Opportunity To Cure**

You will have materially breached this Agreement and, in addition to all other remedies we have at law or in equity, we will have the right, at our option, to terminate this Agreement and all rights granted under this Agreement, without giving you any opportunity to cure the breach, effective immediately upon your receipt of notice (which, whether sent by overnight courier, personal physical delivery or any other manner authorized herein, will be deemed to have been received by you upon delivery or first attempted delivery of the notice to you) upon the occurrence of any of the following events:

1. You omitted or misrepresented any material fact in the information that you furnished to us in connection with our decision to enter into this Agreement.
2. We and you agree in writing to terminate this Agreement.
3. You, your Area Manager, any of your District Managers, and/or, if you are a business entity, any owner, member, shareholder, director or manager (as applicable) of such entity is convicted of a felony, fraud, crime involving moral turpitude, or any other crime or offense which we reasonably believe is related to your duties under this Agreement and/or your operation of any of the Businesses, or is likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated with the Proprietary Marks or our interest in the System or Proprietary Marks.
4. You purport or, if you are a business entity, any owner or principal of you purports to transfer any rights or obligations under this Agreement, any interest in you or any of the Businesses to any third party in violation of the terms of this Agreement.
5. You do not comply with the covenant not to compete during the term of this Agreement; violate the restrictions pertaining to the use of Confidential Information contained in this Agreement; or, do not obtain the execution of the additional covenants required in Article 11 of this Agreement.
6. You, your Area Manager and all others required to do so fail to attend or successfully complete our Initial Training Program.



7. You knowingly or through gross negligence: conceal revenues; maintain false books or records; falsify information or otherwise defraud or make false representations to us; or, submit any false report to us.
8. After curing a default which is subject to cure under Section 15.03 below, you commit the same act of default again within six months.
9. You make a willful misrepresentation or do not make a material disclosure required by any governmental authority regarding any matter involving or affecting your obligations under this Agreement or the operations of the Businesses.
10. You interfere or attempt to interfere in any manner with our or our affiliates' contractual relations and/or our relationships with other franchisees; any supplier of you, us or other franchisees; any governmental or quasi-governmental authority; our employees or advertising agencies; or, any third parties.
11. You commit any act or default which materially impairs the goodwill associated with our Proprietary Marks and which, by its nature, is incurable; or, if the default is curable, you fail to cure the default following delivery of written notice to cure at least seventy-two hours in advance.
12. You do not comply, for a period of fifteen (15) days after notification of non-compliance by us or any governmental or quasi-governmental authority, with any federal, state or local law or regulation applicable to the operation of the franchised Business.
13. You repeatedly fail to comply with one or more requirements of this Agreement, whether or not corrected after notice.
14. You, your Area Manager, or any of your District Managers violate any law, rule or regulation, and/or engages in any act or practice, which subjects you and/or us to widespread publicity, ridicule or derision.
15. You use or duplicate any aspect of our System, services, programs or products in an unauthorized fashion.
16. You engage in any business or market any service or product under a name or mark which, in our opinion, is confusingly similar to our Proprietary Marks.
17. You engage in conduct which reflects materially and unfavorably upon the operation and reputation of the Businesses, us or the Crafty Crab System.
18. You or any of your owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of your owners otherwise violate any such law, ordinance, or regulation.
19. Per Section 15.05 ("Cross-Default"), you (or any of your owners) fail to cure within the applicable time period any breaches under this Agreement, or any other agreement between you (or any of your affiliates) and us (or any of our affiliates) including, but not limited to, any other area development agreement, franchise agreement, lease or promissory note.

### **15.03 Termination by Us – Fifteen Days to Cure**

Except as specifically provided elsewhere in this Agreement, you will have fifteen (15) calendar days following our delivery of written notice to you to cure any default under this Agreement (or, if the default cannot reasonably be cured within this time, to initiate action to cure the default within such time and complete cure within the shortest reasonable time thereafter) and to provide us with evidence that you have done so. If you have not cured any default within that time, (or, if the default cannot reasonably be cured within such time, you have not initiated action to cure the default

within the applicable cure period and thereafter cure the default within the shortest reasonable time thereafter), or any longer period that applicable law may require, then, in addition to all other remedies we have at law or in equity, this Agreement will terminate immediately upon expiration of the applicable cure period, or any longer period required by applicable law, without further notice to you.

You will be in default of this Agreement for any failure to comply with any of your obligations and, if you are a business entity, your owners and Guarantors, imposed by this Agreement, our Brand Standards and/or all Supplements to the Brand Standards or if you and/or your owners or Guarantors otherwise fail to fulfill the terms of this Agreement in good faith. These defaults include the following events, which are set forth as examples only and are not meant to, nor shall they be deemed to, delineate all of the possible defaults which you may commit under this Agreement:

1. You or any of your affiliates fail, refuse or neglect to pay promptly when due any money owed to us, our affiliates or any lender which has provided financing to your franchised Business. The cure period for this default shall not be the above-referenced fifteen (15) calendar days but, instead, will be five (5) calendar days after we transmit to you a written notice of default. If you fail to cure any such default within such shortened cure period, then this Agreement will terminate immediately upon expiration of the applicable cure period.
2. You fail, refuse or neglect to submit the financial and non-financial reports and other information required to be submitted to us under this Agreement, our Brand Standards or other written notices we transmit to you, or you make any false statements in connection with any reports or other information required to be submitted to us.
3. You fail to maintain your trade accounts in a current status and/or fail to seek to promptly resolve any disputes with trade suppliers.
4. You engage in any business, or market any program, product or service, under a name or mark which, in our opinion, is confusingly similar to the Proprietary Marks.
5. You fail to pay any taxes due and owing by your franchised Business(es) hereunder (including employee taxes) when due.
6. You do not use our Proprietary Marks and/or trade dress solely in the manner and for the purposes directed by us in this Agreement, our Brand Standards or otherwise.
7. You do not indemnify us and/or one of the Franchisor Parties as required by this Agreement.
8. By act or omission, you permit a continued violation in connection with the operation of your business hereunder of any law, ordinance, rule or regulation of a governmental agency, in the absence of a good faith dispute over its application or legality and without promptly resorting to an appropriate administrative or judicial forum for relief.
9. You fail to obtain or maintain any required permit, certificate or other governmental approval required either by this Agreement or applicable law, rule or regulation.
10. You employ any individual who is not eligible for employment in the United States under any federal, state, local or other law, rule or regulation.
11. Any Guarantor fails to comply with any of the requirements imposed by or pursuant to the Guarantee addressed in Section 18.15 of this Agreement.
12. You do not devote the amount of your time and attention and/or your best efforts to the performance of your duties of this Agreement necessary for the proper and effective operation of your franchised area development business hereunder.

13. You fail to implement (and, at your expense, take all steps necessary to implement) and thereafter adhere to any new or changed System requirements.
14. A final judgment not subject to appeal is entered against you or any Guarantor and remains unsatisfied for more than thirty (30) days or, if any such judgment is subject to appeal, you do not prosecute such appeal within thirty (30) days (or such shorter period as any law, rule or regulation requires).
15. You fail to comply with any other requirement imposed by this Agreement or our Brand Standards, or otherwise fail to carry out the terms of this Agreement in good faith.

#### **15.04 Description of Default**

The description of any default in any notice that we transmit to you will in no way preclude us from specifying additional or supplemental defaults under this Agreement or any related agreements in any action, proceeding, hearing or lawsuit relating to this Agreement or the termination of this Agreement.

#### **15.05 Cross Default**

Any default or breach by you (or any of your affiliates) of any other agreement between us or our Affiliates and you (or any of your affiliates) will be considered a default under this Agreement, and any default or breach of this Agreement by you will be considered a default or breach under any and all other agreements between us (or any of our Affiliates) and you (or any of your affiliates). If the nature of the default under any other agreement would have permitted us to terminate this Agreement if the default had occurred under this Agreement, or if the nature of the default under this Agreement permits us to terminate this Agreement, then we (or our Affiliate) will have the right to terminate any or all of the agreements between us (or any of our Affiliates) and you (or any of your affiliates) in the same manner provided for in this Agreement for termination of this Agreement. Your "affiliates" include any persons or entities controlling, controlled by, or under common control with you.

#### **15.06 Notice Required By Law**

If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement or the parties to this Agreement limits our rights of termination under this Agreement or requires longer notice or cure periods than those set forth above, then this Agreement will be considered modified to conform to the minimum notice, cure periods or restrictions upon termination required by the laws and regulations. We will not, however, be precluded from contesting the validity, enforceability or application of the laws or regulations in any action, proceeding, hearing or dispute relating to this Agreement or the termination of this Agreement.

### **16. OTHER OBLIGATIONS AND RIGHTS ON TERMINATION OR EXPIRATION**

#### **16.01 Other Obligations and Rights on Termination or Expiration**

The termination of this Agreement upon breach of your development obligations, as set forth in Section 6.01 above, will not terminate any of the Unit Franchise Agreements executed by you before the effective date of termination of this Agreement and for which you have already commenced the franchised Crafty Crab Business(es) covered by the Unit Franchise Agreement(s), but after the effective date of the termination, you will have no right to develop or operate any additional Crafty Crab Business without first obtaining our express written consent, which we may withhold without cause.

Upon expiration or earlier termination of this Agreement for whatever reason, you agree to:

1. Immediately pay all sums due and owing to us or our Affiliates, plus interest, and all sums due and owing to any landlord, employees, taxing authorities, advertising agencies and all other third parties.

2. If we terminate because of your default, pay us all losses and expenses we incur as a result of the default or termination, including all damages, costs, and expenses, and reasonable attorneys' and experts' fees directly or indirectly related thereto, such as (without limitation) lost profits, lost opportunities, damage inuring to our Proprietary Marks and reputation, travel and personnel costs and the cost of securing a new Area Developer for the Development Territory. This obligation will give rise to and remain, until paid in full, a lien in our favor against any and all of assets, property, furnishings, equipment, signs, fixtures and inventory owned by you and any of the Businesses at the time of termination and against any of your money which we are holding or which is otherwise in our possession.
3. Immediately execute all agreements necessary to effectuate the termination in a prompt and timely manner.
4. Strictly comply with the post-termination/post-expiration covenants not to compete set forth in Article 11 of this Agreement.
5. Continue to abide by those restrictions pertaining to the use of our Confidential Information, trade secrets and know-how set forth in Article 10 of this Agreement.

#### **16.02 No Prejudice**

The expiration or termination of this Agreement will be without prejudice to our rights against you, and will not relieve you of any of your obligations to us at the time of expiration or termination, or terminate your obligations which by their nature survive the expiration or termination of this Agreement.

### **17. UNAVOIDABLE DELAY OR FAILURE TO PERFORM (FORCE MAJEURE)**

#### **17.01 Unavoidable Delay or Failure to Perform (Force Majeure)**

Any delay in our or your performance of any duties under this Agreement, or any non-performance of such duties, that is not your or our fault (as applicable) or within your or our reasonable control – including, but not limited to, fire; floods, natural disasters; Acts of God; war; civil commotion; any governmental act or regulation; any delays or defaults in deliveries by common carriers and/or postal services and/or overnight couriers; computer network outages; late deliveries or non-deliveries of goods or non-furnishing of services by third party vendors; strikes; and any other similar event beyond such party's control) will not constitute a breach or cause a default under this Agreement, provided, however, that we or you (as applicable) will take all steps reasonably possible to mitigate damages caused by such failure or delay.

Notwithstanding the foregoing, if any such failure or delay continues for more than 180 days, we will have the right at any time thereafter during the continuance of such failure or delay to terminate this Agreement upon 30 days advance written notice to you.

### **18. ADDITIONAL PROVISIONS**

#### **18.01 Waiver and Delay**

No waiver or delay in either party's enforcement of any breach of any term, covenant or condition of this Agreement will be construed as a waiver by that party of any preceding or succeeding breach, or any other term, covenant or condition of this Agreement. Without limiting any of the foregoing, the acceptance of any payment specified to be paid by you under this Agreement will not be, nor be construed to be, a waiver of any breach of any term, covenant or condition of this Agreement.

We shall not be required to waive or impair any right, power, or option this Agreement reserves (including, without limitation, our right to demand exact compliance with every term,

condition, and covenant or to terminate this Agreement before its term expires due to a breach) because of any custom or practice at variance with this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including, without limitation, any System standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other Crafty Crab Restaurants; the existence of area development agreements for other Restaurants which contain provisions different from those contained in this Agreement; or, our acceptance of any payments due from you after any breach of this Agreement.

#### **18.02 Notice of Our Alleged Breach**

You agree to give us immediate written notice of any alleged breach or violation of this Agreement after you have constructive or actual knowledge of, believe, determine or are of the opinion that there has been an alleged breach of this Agreement by us, including any acts of misfeasance or nonfeasance. If you do not give written notice to us of any alleged breach of this Agreement within one year from the date that you have knowledge of, believe, determine or are of the opinion that there has been an alleged breach by us, then our alleged breach will be considered to be condoned, approved and waived by you and will not be considered to be a breach of this Agreement by us, and you will be permanently barred from commencing any action against us for the alleged breach or violation.

#### **18.03 Our Right To Cure Defaults**

In addition to all other remedies granted pursuant to this Agreement, if you default in the performance of any of your obligations, or breach any term or condition of this Agreement or any related agreement, then we may, at our election, immediately or at any time thereafter, without waiving any claim for breach under this Agreement and without notice to you, cure the default on your behalf. Our cost of curing the default and all related expenses will be due and payable by you on demand.

#### **18.04 Our Withholding of Consent – Your Exclusive Remedy**

If you make any claim or assertion that we have unreasonably withheld or delayed any consent or approval to a proposed act by you under the terms of this Agreement, you agree that your sole remedy for the claim will be an action or proceeding to enforce the Agreement provisions, for specific performance or for declaratory judgment.

#### **18.05 Integration of Agreement; No Oral Agreements or Representations**

Neither you nor we wish to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, you and we agree that this Agreement, all Exhibits to this Agreement and all related agreements signed at the same time as this Agreement: constitute the entire agreement between the parties with reference to the subject matter of this Agreement and supersede any and all prior negotiations, understandings, representations and agreements; provided, however, that nothing in this Section 18.05 is intended to disclaim the representations we made in the Franchise Disclosure Document that we provided to you.

No change, modification, amendment or waiver of any of the provisions of this Agreement will be effective and binding upon either party unless it is in writing, specifically identified as an amendment to this Agreement or waiver of any of the provisions of this Agreement, and signed by the party against whom enforcement of such writing is sought.

#### **18.06 Notices**

Any notice required or permitted to be given under this Agreement must be in writing; must be delivered to the other party either personally or by recognized, documented overnight delivery service capable, through "signature capture" or otherwise, of documenting delivery or attempted

delivery of the notice, or by electronic mail with third party proof of delivery (including date and time); and, will be effective on the date that delivery is documented to have been first attempted. Any notice to us will be addressed to us at:

Crafty Crab Franchising LLC  
3525 Enterprise Way  
Green Cove Springs, Florida 32043  
Attention: Ming Lin Zhang, Chief Executive Officer

With a contemporaneous copy (which shall not constitute notice) to:

Kaufmann Gildin & Robbins LLP  
767 Third Avenue, 30<sup>th</sup> Floor  
New York, New York 10017  
Attention: David J. Kaufmann, Esq.

Any notice to you will be addressed to your address as set forth on the first page of this Agreement. Either party to this Agreement may, in writing, on ten (10) days' notice, inform the other of a new or changed address or addressee(s) to which notices under this Agreement should be sent. We may provide any notice under this Agreement (including, without limitation, any notice of termination) sufficiently in advance of any event to permit compliance with any notice requirements under state or other laws.

#### **18.07 Execution, Construction and Interpretation; Further Acts**

A. This Agreement may be executed in multiple counterparts, each of which will be considered an original and all of which together will constitute one and the same instrument. Facsimile execution signatures will be considered as binding and conclusive as if original, provided, however, that any party so executing must use all commercially reasonable efforts to furnish to the other party(ies) the originally executed document(s) at the earliest opportunity.

B. The titles and subtitles of the various articles and sections of this Agreement are inserted for convenience and will not affect the meaning or construction of any of the terms, provisions, covenants and conditions of this Agreement. The language of this Agreement will in all cases be construed simply according to its fair and plain meaning and not strictly for or against us or you.

C. It is agreed that if any provision of this Agreement is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision will have the meaning which renders it valid.

D. The parties agree to execute all other documents and perform all further acts necessary or desirable to carry out the purposes of this Agreement.

E. Each reference in this Agreement to a corporation or partnership will also refer to a limited liability company, general or limited partnership, and any other entity or similar organization. Each reference to the organizational documents, shareholders, directors, officers and stock of a corporation in this Agreement will also refer to the functional equivalents of the organizational documents, shareholders, directors, officers and voting and/or equity rights, as applicable, in the case of a limited liability company, general partnership, limited partnership or any other entity or similar organization (this specifically includes members and managers, general and limited partners, membership interests and general and limited partnership interests).

#### **18.08 Business Judgment**

You and we recognize, and any mediator or judge is affirmatively advised, that certain provisions of this Agreement describe our right to take (or refrain from taking) certain actions in the exercise of our business judgment based on our assessment of the overall best interests of the Crafty

Crab System. Where such discretion has been exercised, and is supported by our business judgment, neither a mediator nor a judge may substitute his or her judgment for the judgment we have so exercised. "Business judgment" is a defined term for the purposes of this Agreement and is not intended to incorporate principles related to the application of any business judgment rule in a corporate law context.

#### **18.09 Exercise of Rights**

You understand and agree that whenever we have reserved a right in this Agreement, we have the uncontrolled and unfettered right to do what we have reserved.

#### **18.10 Severability**

Nothing contained in this Agreement may be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provision of this Agreement and any present or future statute, law, ordinance or regulation required to be made applicable to this Agreement, the latter will prevail, but the affected provision of this Agreement will be curtailed and limited only to the extent necessary to bring it within the requirement of the law. If any article, section, sentence or clause of this Agreement is held to be indefinite, invalid or otherwise unenforceable, the entire Agreement will not fail for this reason, and the balance of the Agreement will continue in full force and effect. If any court of competent jurisdiction deems any provision of this Agreement (other than for the payment of money) so unreasonable as to be unenforceable as a matter of law, the court may declare a reasonable modification of this Agreement and this Agreement will be valid and enforceable, and the parties agree to be bound by and perform this Agreement as so modified.

#### **18.11 Attorneys' Fees and Costs of Enforcement**

The prevailing party will be entitled to recover from the other party reasonable attorneys' fees, experts' fees, court costs and all other expenses of litigation in any action instituted against the other party to secure or protect the prevailing party's rights under this Agreement, to enforce the terms of this Agreement, or in any action commenced or joined in by the other party against the prevailing party. If we incur costs and expenses due to your failure to pay when due amounts owed to us, to submit when due any reports, information, or supporting records, or otherwise to comply with this Agreement, you agree, whether or not we initiate a formal legal proceeding, to reimburse us for all of the costs and expenses that we incur, including, without limitation, reasonable accounting, attorneys' and related fees, including any fees and costs incurred in connection with collection of any amounts due and, obtaining injunctive or other relief for the enforcement of any provisions of this Agreement.

#### **18.12 Governing Law**

This Agreement; all relations between us; and, any and all disputes between, on the one hand, you and/or any of your owners, officers, directors, managers, or affiliates, and on the other hand, us and/or any of our owners, officers, directors, managers, or affiliates, whether such dispute sounds in law, equity or otherwise, is to be exclusively construed in accordance with and/or governed by (as applicable) the law of the state of New York without recourse to New York (or any other) choice of law or conflicts of law principles. If we move our principal headquarters to another state, we reserve the right to designate that state's law as governing, again without recourse to that successor state's (or any other) choice of law or conflicts of law principles, upon written notice to you. If, however, any provision of this Agreement is not enforceable under the laws of New York (or a successor state we designate as provided above), and if your franchised Business(es) hereunder are located outside of New York (or such hereafter designated state) and the provision would be enforceable under the laws of the state in which the franchised Business(es) are located, then that provision (and only that provision) will be interpreted and construed under the laws of that state. This Section 18.12 is not intended to invoke, and shall not be deemed to invoke, the application of any franchise, business opportunity, antitrust, unfair competition, fiduciary or any other doctrine of law of the State of New York, or any successor state we designate (as provided above), which would not

otherwise apply by its terms jurisdictionally or otherwise but for the within designation of governing law or which, by virtue of its denominated geographic or subject matter scope, would not by its terms otherwise apply.

### **18.13 Venue**

Any action or proceeding brought by us or you (and/or any of our or your respective affiliates, and their respective owners, members, officers, directors or managers) against any such other party, whether sounding in law or equity, will be instituted, litigated through conclusion and, if necessary, appealed through final, irrevocable judgment exclusively in a state or federal district court of competent jurisdiction situated in the state, county and judicial district in which our principal place of business is then located (currently Green Cove Springs, in Clay County, Florida). Any such action or proceeding shall be brought in federal court if federal court jurisdiction exists and, if it does not exist, then in state court. You (and your affiliates, and the owners, members, officers, directors or managers of each of the foregoing) hereby irrevocably submit themselves to the jurisdiction of any such court and waive all questions of personal jurisdiction for the purpose of carrying out this provision. You (and each of your affiliates, and the owners, members, officers, directors or managers of each of the foregoing) agrees that any dispute as to the venue for litigation will be submitted to and resolved exclusively by such aforementioned court. Notwithstanding the foregoing, however, with respect to any action for monies owed, injunctive or other extraordinary or equitable relief, or involving possession or disposition of, or other relief relating to, your franchised Business(es) or area development business hereunder, we may bring such an action in any state or federal district court which has jurisdiction. You, on behalf of yourself and your affiliates, and the owners, members, officers, directors or managers of each of the foregoing, hereby waive and covenant never to assert or claim that the venue designated for litigation by this Agreement is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including any claim under the judicial doctrine of "forum non conveniens"). The parties agree that this Section 18.13 shall not be construed as preventing either party from removing an action or proceeding from state to federal court.

### **18.14 Punitive Damages**

In no event will we be liable to you for punitive damages in any action or proceeding arising out of or relating to this Agreement; any breach, termination, cancellation or non-renewal of this Agreement; or, in any other action or proceeding whatsoever between the parties to this Agreement and/or any of their affiliates. You hereby waive and covenant never to advance any such claim for punitive damages.

### **18.15 Guarantee**

If you are a Business Entity, the following persons must sign our standard form Guarantee (Exhibit E) at the same time as the execution of this Agreement or at such later time as they assume such status: (a) if you are a corporation or limited liability company, all shareholders or members (as applicable) owning 5% or more of your issued and outstanding stock or membership interests, as applicable; (b) if you are a partnership, all general partners owning a 5% or greater interest in you; and, (c) if you are a limited partnership, the general partner and all shareholders owning a 5% or greater interest in the general partner.

If you are in breach or default under this Agreement, we may proceed directly against each such individual and/or entity (each, a guarantor) without first proceeding against you and without proceeding against or naming in the suit any other guarantors. Your obligations and those of each guarantor will be joint and several. Notice to or demand upon guarantor will be considered notice to or demand upon you and all guarantors, and no notice or demand need be made to or upon all guarantor. The cessation of or release from liability of you or any guarantor will not relieve any other guarantor from liability under this Agreement, except to the extent that the breach or default has been remedied or money owed has been paid.



## **18.16 Survival**

Any provision of this Agreement which imposes an obligation following the termination or expiration of this Agreement will survive the termination or expiration and will continue to be binding upon the parties to this Agreement.

This Agreement will be binding upon and inure to the benefit of the parties, their heirs, successors and assigns.

## **18.17 Your Additional Representations and Acknowledgments**

You acknowledge, warrant and represent to us that:

1. You understand that we do not represent that you will have the ability to procure any required license, permit, certificate or other governmental authorization that may be necessary or required for you to operate your franchised Businesses or carry out the other activities contemplated by this Agreement.
2. You have received from us a copy of our Franchise Disclosure Document at least fourteen (14) calendar days before the execution of this Agreement or at least fourteen (14) calendar days before the payment by you to us of any consideration in connection with the sale or proposed sale of the area franchise granted by this Agreement.
3. You affirm that all information set forth in all applications, financial statements and submissions to us are true, complete and accurate in all respects, and you expressly acknowledge that we are relying on the truthfulness, completeness and accuracy of this information.
4. You acknowledge that you have received a complete copy of this Agreement and all related attachments and agreements at least seven (7) calendar days prior to the date on which this Agreement was executed. You further acknowledge that you have received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures" at least fourteen (14) business days prior to the date on which this Agreement was executed.
5. If you are a business entity (including a corporation, limited liability company, general partnership or limited partnership), you are organized under the laws of the state of your principal place of business (or another state which you have identified to us) and your business entity is in good standing with and qualified to do business in each state and political/governmental subdivision having jurisdiction over your franchised area business hereunder.
6. If you are business entity, you have all requisite power and authority to execute, deliver, consummate and perform all of your obligations under this Agreement, and all necessary business entity proceedings have been duly taken to authorize the execution, delivery and performance of this Agreement. This Agreement has been duly authorized, executed and delivered by you, includes your legal, valid and binding obligations, and will be binding and enforceable upon you and your successors and assigns in accordance with its terms when executed by both parties.

## **19. SUBMISSION OF AGREEMENT**

### **19.01 Submission of Agreement**

The submission of this Agreement to you does not constitute an offer. This Agreement will become effective only upon the execution of this Agreement by both us and you. Our date of execution will be considered the date of execution of this Agreement.

THIS AGREEMENT WILL NOT BE BINDING ON US UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF OURS.

YOU ACCEPT AND AGREE TO EACH AND ALL OF THE PROVISIONS, COVENANTS AND CONDITIONS OF THE FOREGOING AGREEMENT.

[signature page follows]

Dated: \_\_\_\_\_

Attest:

\_\_\_\_\_  
Witness/Date

AREA DEVELOPER:

If a Business Entity:

\_\_\_\_\_  
(Name of Entity)

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

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

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

If One or More Individuals:

Dated: \_\_\_\_\_

Attest:

\_\_\_\_\_  
Witness/Date

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

Attest:

\_\_\_\_\_  
Witness/Date

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

This Agreement was executed by Area Developer in the state of \_\_\_\_\_.

Dated: \_\_\_\_\_

Attest:

\_\_\_\_\_  
Witness/Date

FRANCHISOR:

CRAFTY CRAB FRANCHISING LLC

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

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

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

## **CALIFORNIA ADDENDUM TO AREA DEVELOPMENT AGREEMENT**

Notwithstanding anything to the contrary set forth in the Area Development Agreement, the following provisions will supersede and apply to all area development agreements offered and sold in the State of California:

1. Section 11.01 of the Area Development Agreement (“Covenants Not to Compete”) contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
2. Section 18.13 of the Area Development Agreement (“Venue”) requires venue to be limited to the laws of the state, county and judicial district situated in the state, county and judicial district in which our principal place of business is then located (currently Green Cove Springs, in Clay County, Florida). This provision may not be enforceable under California law.
3. California Business and Professions Code 20000 through 20043 provide rights to the franchisee (and area developer) concerning transfer, termination, or non-renewal of a franchise (and area franchise). If the franchise agreement (or area development agreement) contains a provision that is inconsistent with the law, the law will control.
4. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee (or area developer) 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.
5. With respect to franchises sold in California, a franchisor is prohibited from modifying a franchise agreement, or requiring a general release, in exchange for any assistance related to a declared state or federal emergency.
6. This Addendum may be executed in counterparts, which together shall constitute one and the same instrument. Signatures via DocuSign, .PDF file, facsimile, or other electronic format have the same force and effect as originals.

[Signature page follows]

Dated: \_\_\_\_\_

AREA DEVELOPER:

If an entity:

\_\_\_\_\_  
(Name of Entity)

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CRAFTY CRAB FRANCHISING LLC

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

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

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

## **HAWAII ADDENDUM TO AREA DEVELOPMENT AGREEMENT**

1. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee (or area developer) in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
2. This Addendum may be executed in counterparts, which together shall constitute one and the same instrument. Signatures via DocuSign, .PDF file, facsimile, or other electronic format have the same force and effect as originals.

[Signature page follows.]

Dated: \_\_\_\_\_

AREA DEVELOPER:

If an entity:

\_\_\_\_\_  
(Name of Entity)

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CRAFTY CRAB FRANCHISING LLC

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

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

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

## **ILLINOIS ADDENDUM TO AREA DEVELOPMENT AGREEMENT**

1. Illinois law governs the Franchise Agreement(s).
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee (or area developer) 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.
6. This Addendum may be executed in counterparts, which together shall constitute one and the same instrument. Signatures via DocuSign, .PDF file, facsimile, or other electronic format have the same force and effect as originals.

[Signature page follows.]



Dated: \_\_\_\_\_

AREA DEVELOPER:

If an entity:

\_\_\_\_\_  
(Name of Entity)

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CRAFTY CRAB FRANCHISING LLC

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

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

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

## **INDIANA ADDENDUM TO AREA DEVELOPMENT AGREEMENT**

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

1. The laws of the State of Indiana supersede any provisions of the Area Development Agreement or New York law if such provisions are in conflict with Indiana law. The Area Development Agreement will be governed by Indiana law, rather than New York law, as stated in Section 18.12 of the Area Development Agreement.
2. Venue for litigation will not be limited to a state or federal district court of competent jurisdiction situated in the state, county and judicial district in which our principal place of business is then located (currently Green Cove Springs, in Clay County, Florida), as specified in Section 18.13 of the Area Development Agreement.
3. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the area franchise without good cause or in bad faith, good cause being defined therein as a material breach of the area development agreement, will supersede the provisions of Article 15 of the Area Development Agreement in the State of Indiana to the extent they may be inconsistent with such prohibition.
4. No release language set forth in the Area Development Agreement will relieve the Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana.
5. Section 11.02 of the Area Development Agreement (“Enforcement of Covenants Not to Compete”) will not apply to area franchises offered and sold in the State of Indiana.
6. Section 11.01 of the Area Development Agreement (“Covenants Not to Compete”) is revised to limit the geographical extent of the post-term covenant not to compete to Area Developer's Development Territory for all area franchises sold in the State of Indiana.
7. Section 13.03 of the Area Development Agreement (“Injunction”) will not apply to area franchises offered and sold in the State of Indiana.
8. Section 18.14 (“Punitive Damages”) is deleted from the Area Development Agreement for area franchises offered and sold in the State of Indiana.
9. Notwithstanding the terms of Section 9.03 of the Area Development Agreement (“Indemnification”), Area Developer will not be required to indemnify Franchisor and the other Indemnitees for any liability caused by Area Developer's proper reliance on or use of procedures or materials provided by Franchisor or caused by Franchisor's negligence.
10. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee (or area developer) 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.
11. This Addendum may be executed in counterparts, which together shall constitute one and the same instrument. Signatures via DocuSign, .PDF file, facsimile, or other electronic format have the same force and effect as originals.

[Signature page follows.]

Dated: \_\_\_\_\_

AREA DEVELOPER:

If an entity:

\_\_\_\_\_  
(Name of Entity)

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CRAFTY CRAB FRANCHISING LLC

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

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

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

## MARYLAND ADDENDUM TO AREA DEVELOPMENT AGREEMENT

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

1. The laws of the State of Maryland may supersede the Area Development Agreement, including the areas of termination and renewal of the Area Franchise.
2. Any claims arising under the Maryland Franchise Registration and Disclosure Laws must be brought within three years after the grant of the Area Franchise.
3. Section 18.13 of the Area Development Agreement (“Venue”) requires venue to be limited to the laws of state, county and judicial district in which our principal place of business is then located (which is currently, Green Cove Springs, in Clay County, Florida). This provision is deleted from all Area Development Agreements for residents of the State of Maryland and/or area franchises to be operated in the State of Maryland.
4. The Area Development Agreement is amended to the effect that, pursuant to COMAR 02.02.08.16L, 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.
5. The following sentence is added at the end of Section 18.05 of the Area Development Agreement (“Integration of Agreement; No Oral Agreements or Representations”): “This Section is not intended to, nor will it, act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.”
6. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee (or area developer) 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.
7. This Addendum may be executed in counterparts, which together shall constitute one and the same instrument. Signatures via DocuSign, .PDF file, facsimile, or other electronic format have the same force and effect as originals.

[Signature page follows.]

Dated: \_\_\_\_\_

AREA DEVELOPER:

If an entity:

\_\_\_\_\_  
(Name of Entity)

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CRAFTY CRAB FRANCHISING LLC

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

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

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

## MINNESOTA ADDENDUM TO AREA DEVELOPMENT AGREEMENT

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

1. The second sentence of Section 11.02 of the Area Development Agreement (“Enforcement of Covenants Not To Compete”) is amended to read as follows:

“Accordingly, you consent to the seeking of an injunction prohibiting any conduct by you in violation of the terms of the covenants not to compete set forth in this Agreement.”

2. The third and fourth sentences of Section 13.03 of the Area Development Agreement (“Injunction”) is amended to read as follows:

“You therefore agree that if you engage in this non-compliance, or unauthorized and/or improper use of the System or Proprietary Marks, during or after the period of this Agreement, we will be entitled to seek both temporary and permanent injunctive relief against you from any court of competent jurisdiction, in addition to all other remedies which we may have at law. You consent to the seeking of these temporary and permanent injunctions.”

3. The following language will appear at the end of Section 18.13 of the Area Development Agreement (“Venue”):

“Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of Area Developer’s rights as provided for in Minnesota Statutes, Chapter 80C, or Area Developer’s rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.”

4. No release language set forth in the Area Development Agreement will relieve the Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Minnesota.
5. Minnesota law provides Area Developers with certain termination and non-renewal rights. Minnesota Statutes, Section 80C.14, subdivisions 3, 4, and 5 require, except in certain specified cases, that Area Developer be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the area development agreement.
6. Franchisor will protect Area Developer’s right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or indemnify Area Developer from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
7. Any claims arising under Minnesota Statutes, Chapter 80C must be brought within three years after the cause of action accrues.
8. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee (or area developer) 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.

9. This Addendum may be executed in counterparts, which together shall constitute one and the same instrument. Signatures via DocuSign, .PDF file, facsimile, or other electronic format have the same force and effect as originals.

Dated: \_\_\_\_\_

AREA DEVELOPER:

If an entity:

\_\_\_\_\_  
(Name of Entity)

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CRAFTY CRAB FRANCHISING LLC

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

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

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

## **NEW YORK ADDENDUM TO AREA DEVELOPMENT AGREEMENT**

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document or Area Development Agreement, the following provisions will supersede and apply to all area franchises offered and sold under the laws of the State of New York:

1. The fourth sentence of Section 11.02 (“Enforcement of Covenants Not To Compete”) of the Area Development Agreement is amended to read as follows:

“Accordingly, you consent to the seeking of an injunction prohibiting any conduct by you in violation of the terms of the covenants not to compete set forth in this Agreement.”

2. The third and fourth sentences of Section 13.03 of the Area Development Agreement (“Injunction”) are amended to read as follows:

“You therefore agree that if you engage in this non-compliance, or unauthorized and/or improper use of the System or Proprietary Marks, during or after the period of this Agreement, we will be entitled to seek both temporary and permanent injunctive relief against you from any court of competent jurisdiction, in addition to all other remedies which we may have at law. You consent to the seeking of these temporary and permanent injunctions.”

3. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee (or area developer) 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. This Addendum may be executed in counterparts, which together shall constitute one and the same instrument. Signatures via DocuSign, .PDF file, facsimile, or other electronic format have the same force and effect as originals.

[Signature page follows.]



Dated: \_\_\_\_\_

AREA DEVELOPER:

If an entity:

\_\_\_\_\_  
(Name of Entity)

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CRAFTY CRAB FRANCHISING LLC

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

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

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

## **NORTH DAKOTA ADDENDUM TO AREA DEVELOPMENT AGREEMENT**

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

1. The laws of the State of North Dakota supersede any provisions of the Area Development Agreement or New York law if such provisions are in conflict with North Dakota law. The Area Development Agreement will be governed by North Dakota law, rather than New York law, as stated in Section 18.12 of the Area Development Agreement (“Governing Law”).
2. Any provision in the Area Development Agreement which designates jurisdiction or venue or requires the Area Developer to agree to jurisdiction or venue, in a forum outside of North Dakota, is deleted from Area Development Agreements issued in the State of North Dakota. The site of any arbitration will be agreeable to all parties.
3. No release language set forth in the Area Development Agreement will relieve the Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of North Dakota.
4. Section 16.01 of the Area Development Agreement (“Other Obligations and Rights on Termination or Expiration”) may require franchisees to consent to termination or liquidated damages. This requirement is deleted from all Area Development Agreements used in the State of North Dakota.
5. Covenants restricting competition in the State of North Dakota, such as those found in Section 11.01 of the Area Development Agreement (“Covenants Not to Compete”), may be subject to Section 9-08-06 of the North Dakota Century Code. Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.
6. Section 18.13 of the Area Development Agreement (“Venue”) requires that the franchisee consent to the jurisdiction of courts in the state, county and judicial district in which our principal place of business is then located (which is currently, Green Cove Springs, in Clay County, Florida). This requirement is deleted from all Area Development Agreements used in the State of North Dakota.
7. Section 18.14 of the Area Development Agreement (“Punitive Damages”) requires the franchisee to consent to a waiver of exemplary and punitive damages. This requirement is deleted from all Area Development Agreements used in the State of North Dakota.
8. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee (or area developer) 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.
9. This Addendum may be executed in counterparts, which together shall constitute one and the same instrument. Signatures via DocuSign, .PDF file, facsimile, or other electronic format have the same force and effect as originals.

Dated: \_\_\_\_\_

AREA DEVELOPER:

If an entity:

\_\_\_\_\_  
(Name of Entity)

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CRAFTY CRAB FRANCHISING LLC

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

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

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

## **RHODE ISLAND ADDENDUM TO AREA DEVELOPMENT AGREEMENT**

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

1. Any provision in the Area Development Agreement which designates the governing law as that of any state other than the State of Rhode Island is deleted from Area Development Agreements issued in the State of Rhode Island.
2. Section 19-28.1.-14 of the Rhode Island Franchise Investment Act, as amended by laws of 1993, provides that “a provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”
3. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee (or area developer) 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. This Addendum may be executed in counterparts, which together shall constitute one and the same instrument. Signatures via DocuSign, .PDF file, facsimile, or other electronic format have the same force and effect as originals.

[Signature page follows.]

Dated: \_\_\_\_\_

AREA DEVELOPER:

If an entity:

\_\_\_\_\_  
(Name of Entity)

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CRAFTY CRAB FRANCHISING LLC

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

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

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

## **VIRGINIA ADDENDUM TO AREA DEVELOPMENT AGREEMENT**

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

1. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee (or area developer) in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
2. This Addendum may be executed in counterparts, which together shall constitute one and the same instrument. Signatures via DocuSign, .PDF file, facsimile, or other electronic format have the same force and effect as originals.

[Signature page follows.]

Dated: \_\_\_\_\_

AREA DEVELOPER:

If an entity:

\_\_\_\_\_  
(Name of Entity)

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CRAFTY CRAB FRANCHISING LLC

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

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

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

## WASHINGTON ADDENDUM TO AREA DEVELOPMENT AGREEMENT

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

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
2. RCW 19.100.180 may supersede the Area Development Agreement in your relationship with the Franchisor including the areas of termination and renewal of your area franchise. There may also be court decisions which may supersede the Area Development Agreement in your relationship with the Franchisor including the areas of termination and renewal of your area franchise.
3. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. A release or waiver of rights executed by an Area Developer will not include rights under the Washington Franchise Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the Area Development 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, and rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
5. Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.
6. 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.
7. 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.
8. If any of the provisions in the franchise disclosure document or area development agreement are inconsistent with the relationship provisions of RCW 19.100.180 or other requirements of



the Washington Franchise Investment Protection Act, the provisions of the Act will prevail over the inconsistent provisions of the franchise disclosure document and area development agreement with regard to any area franchise sold in Washington.

9. Section 11.01 of the Area Development Agreement (“Covenants Not to Compete”), and the Confidentiality/Non-Competition Agreement forms attached to the Area Development Agreement, are each amended to add that non-parties to the Area Development Agreement are only bound to the confidentiality and/or non-competition provisions if they execute such Confidentiality/Non-Competition Agreement themselves.
10. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee (or area developer) 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.
11. This Addendum may be executed in counterparts, which together shall constitute one and the same instrument. Signatures via DocuSign, .PDF file, facsimile, or other electronic format have the same force and effect as originals.

[Signature page follows.]

Dated: \_\_\_\_\_

AREA DEVELOPER:

If an entity:

\_\_\_\_\_  
(Name of Entity)

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CRAFTY CRAB FRANCHISING LLC

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

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

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

## **WISCONSIN ADDENDUM TO AREA DEVELOPMENT AGREEMENT**

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

1. The Wisconsin Fair Dealership Act, Wisconsin Statutes, Chapter 135 will apply to and govern the provisions of the Area Development Agreement.
2. That Act's requirement, including the requirements that, in certain circumstances, an Area Developer receives ninety (90) days' notice of termination, cancellation, non-renewal or substantial change in competitive circumstances, and sixty (60) days to remedy claimed deficiencies, will supersede the requirements of Article 15 of the Area Development Agreement ("Default and Termination") to the extent they may be inconsistent with the Act's requirements.
3. No statement, questionnaire, or acknowledgement 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. This Addendum may be executed in counterparts, which together shall constitute one and the same instrument. Signatures via DocuSign, .PDF file, facsimile, or other electronic format have the same force and effect as originals.

[Signature page follows.]

Dated: \_\_\_\_\_

AREA DEVELOPER:

If an entity:

\_\_\_\_\_  
(Name of Entity)

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

CRAFTY CRAB FRANCHISING LLC

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

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

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

**EXHIBIT A TO CRAFTY CRAB FRANCHISING LLC AREA DEVELOPMENT AGREEMENT  
DEVELOPMENT TERRITORY**

## DEVELOPMENT TERRITORY

The Development Territory as defined in Section 1.02 of the Area Development Agreement consists of the following:

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If a map of the Development Territory is attached, check here: \_\_\_\_\_

*Initials:* Franchisor \_\_\_\_\_ Area Developer \_\_\_\_\_

**EXHIBIT B TO CRAFTY CRAB FRANCHISING LLC AREA DEVELOPMENT AGREEMENT  
FIRST FRANCHISE AGREEMENT TO BE EXECUTED BY AREA DEVELOPER**

**[SEE FRANCHISE AGREEMENT AND ITS EXHIBITS  
IN EXHIBIT A TO THIS FRANCHISE DISCLOSURE DOCUMENT]**

**EXHIBIT C TO CRAFTY CRAB FRANCHISING LLC AREA DEVELOPMENT AGREEMENT  
CONFIDENTIALITY/NON-COMPETITION AGREEMENT**



**CONFIDENTIALITY/NON-COMPETITION AGREEMENT**

**NAME:** \_\_\_\_\_

**AREA DEVELOPER:** \_\_\_\_\_

**HOME ADDRESS:** \_\_\_\_\_

**HOME TELEPHONE:** \_\_\_\_\_

**RELATION TO AREA DEVELOPER:** \_\_\_\_\_  
**(Owner, Shareholder, Officer, Director, Etc.)**

\_\_\_\_\_ ("Area Developer") is an Area Developer of Crafty Crab Franchising LLC ("Franchisor") pursuant to an Area Development Agreement entered into by Area Developer and Franchisor dated \_\_\_\_\_ (the "Area Development Agreement") regarding the establishment of a franchised Crafty Crab area business. I agree that, unless otherwise specified, all terms in this Agreement have those meanings ascribed to them in the Area Development Agreement.

I agree that during the term of my employment by, ownership participation in, association with or service to Area Developer, or at any time thereafter, I will not communicate, divulge or use for the benefit of any other person, persons, partnership, proprietorship, association, corporation or entity any confidential information, knowledge or know-how concerning the systems of operation, services, products, clients or practices of Area Developer and/or Franchisor which may be communicated to me ("Confidential Information"), and I will not divert any business to competitors of Area Developer and/or Franchisor.

Any and all information, knowledge, know-how, techniques and information which the entities mentioned above or their officers designate as confidential will be Confidential Information for the purposes of this Agreement, except information which I can demonstrate came to my attention before disclosure or which had become or becomes a part of the public domain through publication or communication by others (unless the publication or communication is in violation of a similar confidentiality agreement), but in no event through any act of mine.

I specifically understand that, without limitation, the following constitute Confidential Information of Franchisor: all information, knowledge, trade secrets or know-how utilized or embraced by the System and/or imparted to me by Franchisor and/or Area Developer (or any of their respective affiliates) which concerns Area Developer's or Franchisor's systems of operation, programs, services, products, customers, practices, materials, books, records, manuals, computer files, databases or software; all elements of the System; all programs, products, services, equipment, technologies, policies, standards, requirements, criteria and procedures that now or in the future are a part of the System; Franchisor's Manual (including Supplements to the Manual); all specifications, procedures, systems, techniques and activities employed by Franchisor or by Area Developer in the offer and sale of programs, products and/or services at or from the franchised area business; all pricing paradigms established by Franchisor or Area Developer; all of Franchisor's and/or Area Developer's sources (or prospective sources) of supply and all information pertaining to same (including wholesale pricing structures, the contents of sourcing agreements and the identity of suppliers); Franchisor's specifications, and Franchisee's final plans, for the construction, build out, design, renovation, décor, equipment, signage, furniture, fixtures and trade dress elements of Area Developer's business; the identify of, and all information relating to, the Computer and POS Systems' hardware and software utilized by Franchisor and Area Developer; all information pertaining to Franchisor's and Area Developer's advertising, marketing, promotion and merchandising campaigns, activities, materials,

specifications and procedures; all customer lists, data and records generated and/or otherwise maintained by the franchised area business; Franchisor's internet/web protocols, procedures and content (including electronic data, data files, users names and passwords); Franchisor's training and other instructional programs and materials; all elements of Franchisor's recommended staffing, staff training and staff certification policies and procedures; all communications between Franchisor and Area Developer; additions or improvements to, deletions from and modifications and variations of the components of the System and the other systems and methods of operations which Franchisor employs now or in the future; research, development and test programs for products, services and operations; and, all other information, knowledge and know-how which either Franchisor or its affiliates, now or in the future, designate as confidential.

I will at no time copy, duplicate, record or otherwise reproduce any of the Confidential Information or material containing it, in whole or in part, store them in a computer retrieval or data base, nor otherwise make them available to any unauthorized person. Upon the expiration or other termination for any reason of my employment, association, service or ownership participation, I agree to return to Franchisor or Area Developer, as the case may be, all Confidential Information or material containing it (in whole or in part) in my possession utilized during my employment, association, service or ownership participation.

I further agree that during the term of my employment/service/association/ownership participation, and under the circumstances set forth in the following paragraph, for a period of one year immediately following its expiration or termination for any reason, I will not, directly or indirectly, engage or participate in any other business which engages in any of the activities which the Area Development Agreement contemplates will be engaged in by Area Developer; or, which offers or sells any other service, product or component which now or in the future is part of the System, or any confusingly similar product or service. I agree that I am prohibited from engaging in any competitive business as a proprietor, partner, investor, shareholder, director, officer, employee, principal, agent, advisor, or consultant.

For a period of two years immediately following the later of (a) the expiration or termination of my employment/service/association/ownership participation or (b) the date on which I begin to comply with the terms and conditions of this Agreement, I am prohibited from engaging in any competitive business, if the other business is located at the Crafty Crab Restaurant Location, within ten (10) miles of the boundaries of Area Developer's Crafty Crab Development Territory, or within ten (10) miles of (or within) the Location (as applicable) of any other franchised or company-owned Crafty Crab Business in operation or under construction (regardless of how established and operated).

It is the intention of these provisions to preclude not only direct competition but also all forms of indirect competition, such as consultation for competitive businesses, service as an independent contractor for competitive businesses, or any assistance or transmission of information of any kind which would be of any assistance to a competitor. Nothing herein will prevent me from owning for investment purposes up to an aggregate of 5% of the capital stock of any competitive business, so long as the competitive business is a publicly held corporation whose stock is listed and traded on a national or regional stock exchange, or through the National Association of Securities Dealers Automated Quotation System (NASDAQ), and so long as I or Area Developer do not control the company in question.

It is the intention of these provisions that any person or entity having any legal or beneficial interest in or traceable to, down or through me to be bound by the provisions of this covenant, including (without limitation) the following individuals if they have such an interest: my spouse, brother, brother-in-law, sister, sister-in-law, parent, parent-in-law, child, son-in-law or daughter-in-law; any direct or indirect beneficiary; any partner (general or limited) or proprietor of mine; and, any other such related person or entity, regardless of how many levels or tiers there may be between any such described person or entity and me. I further agree that upon the expiration or

termination of my term of employment/service/association, I will immediately refrain from any and all contacts with Crafty Crab customers, for any purpose whatsoever.

**I acknowledge that violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor and Area Developer for which no adequate remedy at law will be available. Accordingly, I hereby consent to the entry of an injunction procured by Franchisor or Area Developer (or both) prohibiting any conduct by me in violation of the terms of those covenants not to compete and/or restrictions on the use of confidential information set forth in this agreement. I expressly agree that it may conclusively be presumed in any legal action that any violation of the terms of these covenants not to compete was accomplished by and through my unlawful utilization of Franchisor's Confidential Information. Further, I expressly agree that any claims I may have against Franchisor will not constitute a defense to Franchisor's enforcement of the covenants not to compete set forth in this Agreement. I further agree to pay all costs and expenses (including reasonable attorneys' and experts' fees) incurred by Franchisor in connection with the enforcement of those covenants not to compete set forth in this Agreement.**

If all or any portion of this covenant not to use confidential information and not to compete is held unreasonable, void, vague or illegal by any court or agency having valid jurisdiction in an unappealed final decision to which Area Developer and/or Franchisor is a party, the court or agency will be empowered to revise and/or construe the covenant to fall within permissible legal limits, and should not invalidate the entire covenant. I expressly agree to be bound by any lesser covenant subsumed within the terms of this Agreement as if the resulting covenant were separately stated in and made a part of this Agreement.

I agree that this Agreement and all relations and disputes between myself on the one hand, and Area Developer or Franchisor on the other hand, whether sounding in contract, tort, or otherwise, are to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of New York without recourse to New York (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of New York, and if the franchised area business is located outside of New York and the provision would be enforceable under the laws of the state in which the franchised area business is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Agreement is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or any other doctrine of law of the State of New York or any other state, which would not otherwise apply.

I further agree that any litigation arising out of or related to this Agreement; any breach of this Agreement; and, all relations and any and all disputes between myself on the one hand, and Area Developer or Franchisor on the other hand, whether sounding in contract, tort, or otherwise, will be instituted exclusively in a court of competent jurisdiction situated in the state, county and judicial district in which our principal place of business is then located (currently Green Cove Springs, in Clay County, Florida). I agree that any dispute as to the venue for this litigation will be submitted to and resolved exclusively by a court of competent jurisdiction situated in the state, county and judicial district in which our principal place of business is then located (currently Green Cove Springs, in Clay County, Florida).

I hereby waive and covenant never to assert or claim that said venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

I understand that the rights and remedies of Franchisor under this Agreement are fully assignable and transferable and will inure to the benefit of its respective affiliates, successors and assigns. I further understand and agree that my and Area Developer's respective obligations

hereunder may not be assigned by me or Area Developer, without the prior written consent of Franchisor.

Witnessed By:

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
Witness/Date

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Date)

**EXHIBIT D TO CRAFTY CRAB FRANCHISING LLC AREA DEVELOPMENT AGREEMENT  
CONFIDENTIALITY AGREEMENT (NON-MANAGERIAL PERSONNEL)**

**CONFIDENTIALITY AGREEMENT (NON-MANAGERIAL PERSONNEL)**

**NAME:** \_\_\_\_\_

**AREA DEVELOPER:** \_\_\_\_\_

**HOME ADDRESS:** \_\_\_\_\_

\_\_\_\_\_

**HOME TELEPHONE:** \_\_\_\_\_

**RELATION TO AREA DEVELOPER:** \_\_\_\_\_  
**(Employee, Independent Contractor, Etc.)**

\_\_\_\_\_ (“Area Developer”) is an Area Developer of Crafty Crab Franchising, LLC (“Franchisor”) pursuant to an Area Development Agreement entered into by Area Developer and Franchisor dated \_\_\_\_\_ (the “Area Development Agreement”) regarding the establishment of a franchised Crafty Crab area business. I agree that, unless otherwise specified, all terms in this Agreement have those meanings ascribed to them in the Area Development Agreement.

I agree that during the term of my employment by, ownership participation in, association with or service to Area Developer, or at any time thereafter, I will not communicate, divulge or use for the benefit of any other person, persons, partnership, proprietorship, association, corporation or entity any confidential information, knowledge or know-how concerning the systems of operation, services, products, clients or practices of Area Developer and/or Franchisor which may be communicated to me (“Confidential Information”).

Any and all information, knowledge, know-how, techniques and information which the entities mentioned above or their officers designate as confidential will be Confidential Information for the purposes of this Agreement, except information which I can demonstrate came to my attention before disclosure or which had become or becomes a part of the public domain through publication or communication by others (unless the publication or communication is in violation of a similar confidentiality agreement), but in no event through any act of mine.

I specifically understand that, without limitation, the following constitute Confidential Information of Franchisor: all information, knowledge, trade secrets or know-how utilized or embraced by the System and/or imparted to me by Franchisor and/or Area Developer (or any of their respective affiliates) which concerns Area Developer’s or Franchisor’s systems of operation, programs, services, products, customers, practices, materials, books, records, manuals, computer files, databases or software; all elements of the System; all programs, products, services, equipment, technologies, policies, standards, requirements, criteria and procedures that now or in the future are a part of the System; Franchisor’s Manual (including Supplements to the Manual); all specifications, procedures, systems, techniques and activities employed by Franchisor or by Area Developer in the offer and sale of programs, products and/or services at or from the franchised area business; all pricing paradigms established by Franchisor or Area Developer; all of Franchisor’s and/or Area Developer’s sources (or prospective sources) of supply and all information pertaining to same (including wholesale pricing structures, the contents of sourcing agreements and the identity of suppliers); Franchisor’s specifications, and Franchisee’s final plans, for the construction, build out, design, renovation, décor, equipment, signage, furniture, fixtures and trade dress elements of Area Developer’s business; the identify of, and all information relating to, the Computer and POS Systems’ hardware and software utilized by Franchisor and Area Developer; all information pertaining to Franchisor’s and Area Developer’s advertising, marketing, promotion and merchandising campaigns, activities, materials, specifications and procedures; all customer lists, data and records generated and/or otherwise maintained by the franchised area business; Franchisor’s internet/web protocols, procedures and content (including electronic data, data files, users names and passwords); Franchisor’s training and other instructional programs and materials; all elements of

Franchisor's recommended staffing, staff training and staff certification policies and procedures; all communications between Franchisor and Area Developer; additions or improvements to, deletions from and modifications and variations of the components of the System and the other systems and methods of operations which Franchisor employs now or in the future; research, development and test programs for products, services and operations; and, all other information, knowledge and know-how which either Franchisor or its affiliates, now or in the future, designate as confidential.

I will at no time copy, duplicate, record or otherwise reproduce any of the Confidential Information or material containing it, in whole or in part, store them in a computer retrieval or data base, nor otherwise make them available to any unauthorized person. Upon the expiration or other termination for any reason of my employment, association, service or ownership participation, I agree to return to Franchisor or Area Developer, as the case may be, all Confidential Information or material containing it (in whole or in part) in my possession utilized during my employment, association, service or ownership participation.

If all or any portion of this covenant not to use confidential information is held unreasonable, void, vague or illegal by any court or agency having valid jurisdiction in an unappealed final decision to which Area Developer and/or Franchisor is a party, the court or agency will be empowered to revise and/or construe the covenant to fall within permissible legal limits, and should not invalidate the entire covenant. I expressly agree to be bound by any lesser covenant subsumed within the terms of this Agreement as if the resulting covenant were separately stated in and made a part of this Agreement.

I agree that this Agreement and all relations and disputes between myself on the one hand, and Area Developer or Franchisor on the other hand, whether sounding in contract, tort, or otherwise, are to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of New York without recourse to New York (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of New York, and if the franchised area business is located outside of New York and the provision would be enforceable under the laws of the state in which the franchised area business is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Agreement is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or any other doctrine of law of the State of New York or any other state, which would not otherwise apply.

I further agree that any litigation arising out of or related to this Agreement; any breach of this Agreement; and, all relations and any and all disputes between myself on the one hand, and Area Developer or Franchisor on the other hand, whether sounding in contract, tort, or otherwise, will be instituted exclusively in a court of competent jurisdiction in the county and state where Franchisor's principal headquarters is then-located (which is currently Green Cove Springs, in Clay County, Florida). I agree that any dispute as to the venue for this litigation will be submitted to and resolved exclusively by a court of competent jurisdiction situated in the state, county and judicial district in which our principal place of business is then located (currently Green Cove Springs, in Clay County, Florida).

I hereby waive and covenant never to assert or claim that said venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

I understand that the rights and remedies of Franchisor under this Agreement are fully assignable and transferable and will inure to the benefit of its respective affiliates, successors and assigns. I further understand and agree that my and Area Developer's respective obligations hereunder may not be assigned by me or Area Developer, without the prior written consent of Franchisor.

[Signature page follows.]

Witnessed By:

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
Witness/Date

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Date)



**EXHIBIT E TO CRAFTY CRAB FRANCHISING LLC AREA DEVELOPMENT AGREEMENT**

**GUARANTEE OF  
CRAFTY CRAB FRANCHISING LLC AREA DEVELOPMENT AGREEMENT**

**GUARANTEE OF  
CRAFTY CRAB FRANCHISING LLC AREA DEVELOPMENT AGREEMENT**

In consideration of the execution by Franchisor of the Area Development Agreement (the "Area Development Agreement") dated as of \_\_\_\_\_ between CRAFTY CRAB FRANCHISING LLC ("Franchisor") and \_\_\_\_\_ ("Area Developer") and for other good and valuable consideration, each of the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby absolutely and unconditionally guarantee the punctual payment of all amounts and the performance of all of the covenants, terms, conditions, agreements and undertakings contained and set forth in said Area Development Agreement and in any other agreement(s) by and between Area Developer and Franchisor.

If more than one person has executed this Guarantee, the term "the undersigned", as used herein, shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

The undersigned, individually and jointly, hereby agree to be personally bound by each and every covenant, term, condition, agreement and undertaking (including the noncompetition, confidentiality and transfer requirements) contained and set forth in said Area Development Agreement and any other agreement(s) by and between Area Developer and Franchisor, and agree that this Guarantee shall be construed as though the undersigned and each of them executed agreement(s) containing the identical terms and conditions of the Area Development Agreement and any other agreement(s) by and between Area Developer and Franchisor.

The undersigned hereby agree, furthermore, that without the consent of or notice to any of the undersigned and without affecting any of the obligations of the undersigned hereunder: (a) any term, covenant or condition of the Area Development Agreement may be amended, compromised, released or otherwise altered by Franchisor and Area Developer, and the undersigned do guarantee and promise to perform all the obligations of Area Developer under the Agreement as so amended, compromised, released or altered; (b) any guarantor of or party to the Area Development Agreement may be released, substituted or added; (c) any right or remedy under the Agreement, this Guarantee or any other instrument or agreement between Franchisor and Area Developer may be exercised, not exercised, impaired, modified, limited, destroyed or suspended; and, (d) Franchisor or any other person may deal in any manner with Area Developer, any of the undersigned, any party to the Area Development Agreement or any other person.

Should Area Developer be in breach or default under the Area Development Agreement or any other agreement(s) by and between Area Developer and Franchisor, Franchisor may proceed directly against any or each of the undersigned without first proceeding against Area Developer and without proceeding against or naming in such suit any other Area Developer, signatory to the Area Development Agreement or any others of the undersigned. The undersigned agree to bear any and all Franchisor's costs of collection hereunder, including all court costs and expenses, attorneys' fees, costs of or resulting from delays; travel, food, lodging and other living expenses necessitated by the need or desire to appear before courts or tribunals (including arbitration tribunals), and all other costs of collection.

Notice to or demand upon Area Developer or any of the undersigned shall be deemed notice to or demand upon Area Developer and all of the undersigned, and no notice or demand need be made to or upon any or all of the undersigned. The cessation of or release from liability of Area Developer or any of the undersigned shall not relieve any other Guarantors from liability hereunder, under the Area Development Agreement, or under any other agreement(s) between Franchisor and Area Developer, except to the extent that the breach or default has been remedied or moneys owed have been paid.

Any waiver, extension of time or other indulgence granted by Franchisor or its agents, successors or assigns, with respect to the Area Development Agreement or any other agreement(s) by and between Area Developer and Franchisor, shall in no way modify or amend this Guarantee, which shall be continuing, absolute, unconditional and irrevocable.

It is understood and agreed by the undersigned that the provisions, covenants and conditions of this Guarantee shall inure to the benefit of the Franchisor, its successors and assigns. This Guarantee may be assigned by Franchisor voluntarily or by operation of law without reducing or modifying the liability of the undersigned hereunder.

This Guarantee is to be exclusively construed in accordance with and/or governed by the law of the State of New York without recourse to New York (or any other) choice of law or conflicts of law principles. If, however, any provision of this Guarantee would not be enforceable under the laws of New York, and if the area business franchised under the Area Development Agreement is located outside of New York and the provision would be enforceable under the laws of the state in which the franchised business is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Guarantee is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or any other doctrine of law of the State of New York or any other state, which would not otherwise apply by its terms jurisdictionally or otherwise but for the within designation of governing law or which, by virtue of its denominated geographic or subject matter scope, would not by its terms otherwise apply.

Any litigation arising out of or related to this Guarantee will be instituted exclusively in a court of competent jurisdiction in the state and county where Franchisor's principal headquarters is then located (currently, New York, New York). The undersigned agree that any dispute as to the venue for this litigation will be submitted to and resolved exclusively by a court of competent jurisdiction situated in the state and county where Franchisor's principal headquarters is then located (currently, New York, New York). The undersigned hereby waive and covenant never to assert or claim that said venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

Should any one or more provisions of this Guarantee be determined to be illegal or unenforceable, all other provisions shall nevertheless be effective.

[Signature page follows]

IN WITNESS WHEREOF, each of the undersigned has executed this Guarantee effective as of the date of the Area Development Agreement.

Attest:

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Address

Attest:

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Address

Attest:

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Address

**EXHIBIT F TO CRAFTY CRAB FRANCHISING LLC AREA DEVELOPMENT AGREEMENT  
INFORMATION REGARDING AREA DEVELOPER**

**EXHIBIT F**

**INFORMATION REGARDING AREA DEVELOPER**

**Effective Date:** This Exhibit F is current and complete as of \_\_\_\_\_ [DATE].

1. **Form of Area Developer Owner.** (Please select either (a) or (b) below).

(a) **Individual Proprietorship.** List individual(s):

Name:

\_\_\_\_\_

Name:

\_\_\_\_\_

Name:

\_\_\_\_\_

Name:

\_\_\_\_\_

(b) **Corporation, Limited Liability Company, or Partnership.** (CIRCLE ONE) You were incorporated or formed on \_\_\_\_\_, under the laws of the State of \_\_\_\_\_. You have not conducted business under any name other than your corporate, limited liability company, or partnership name and \_\_\_\_\_.

2. **Owners, Directors/Officers.** The following list includes the full name and address of each person who is one of your owners, shareholders, members, partners, directors, officers or an owner of one of your owners, and fully describes the nature of each of their respective ownership interest (attach additional pages, if necessary).

Name: _____ Address: _____ Type of Interest: _____ Number Units Owned: _____ Number Entitled to Vote: _____ % of Total Units of Area Developer: _____ Title (if officer or director): _____	Name: _____ Address: _____ Type of Interest: _____ Number Units Owned: _____ Number Entitled to Vote: _____ % of Total Units of Area Developer: _____ Title (if officer or director): _____
Name: _____ Address: _____ Type of Interest: _____ Number Units Owned: _____ Number Entitled to Vote: _____ % of Total Units of Area Developer: _____ Title (if officer or director): _____	Name: _____ Address: _____ Type of Interest: _____ Number Units Owned: _____ Number Entitled to Vote: _____ % of Total Units of Area Developer: _____ Title (if officer or director): _____

3. **Name and Address of Person to Receive Notice for Area Developer.** (If different than what is stated in the Area Development Agreement)

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

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

\_\_\_\_\_

E-mail Address: \_\_\_\_\_

4. **Identification of the Managing Owner and the Area Manager.** The shareholder, member, partner or other owner of equity in Area Developer who is responsible for overseeing and supervising the operation of the franchised Crafty Crab Restaurant or overseeing its Area Manager as of the Effective Date is \_\_\_\_\_ (must be one of the principal owners listed in Section 2 above). You may not change Managing Owner without our prior written approval.
5. The "Area Manager" as of the Effective Date is \_\_\_\_\_. You may not change Area Manager without our prior written approval.
6. **Update of Exhibit E.** You and your owners agree to update, sign and deliver to us from time to time a revised Exhibit F to reflect all future permitted changes in this information.

**AREA DEVELOPER:**

\_\_\_\_\_  
[Print Name of Area Developer Entity]

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

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

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

RECEIPT ACKNOWLEDGED:

**FRANCHISOR:**

CRAFTY CRAB FRANCHISING LLC

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

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

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

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

**EXHIBIT C TO FRANCHISE DISCLOSURE DOCUMENT**

**FINANCIAL STATEMENTS**



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***CRAFTY CRAB FRANCHISING LLC***

**Financial statement  
As of May 31, 2023  
And Independent Auditors' Report**

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# CRAFTY CRAB FRANCHISING LLC

## FINANCIAL STATEMENT

AS OF May 31, 2023

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FINANCIAL STATEMENT	
Balance Sheet	4
NOTES TO FINANCIAL STATEMENT	5-7



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133-10 39<sup>TH</sup> Avenue  
Flushing, NY 11354  
Tel. (718) 445-6308  
Fax. (718) 445-6760

• CALIFORNIA OFFICE  
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Arcadia, CA 91006  
Tel. (626) 282-1630  
Fax. (626) 282-9726

• BEIJING OFFICE  
11/F North Tower  
Beijing Kerry Centre  
1 Guanghua Road  
Chaoyang District  
Beijing, 100020, PRC  
Tel (86 10) 65997923  
Fax. (86 10) 65999100

## INDEPENDENT AUDITORS' REPORT

To the members of the  
Crafty Crab Franchising LLC

### *Opinion*

We have audited the accompanying Balance Sheet of Crafty Crab Franchising LLC (the "Company") as of May 31, 2023, the end of the initial accounting period of the Company, and the related notes to the financial statement.

In our opinion, the Balance Sheet referred to above presents fairly, in all material respects, the financial position of the Company as of May 31, 2023 in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

### *Responsibilities of Management for the Financial Statement*

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

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



### *Auditors' Responsibilities for the Audit of the Financial Statement*

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

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

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



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

*Wei Wei & Co. LLP*

Flushing, New York  
July 14, 2023

CRAFTY CRAB FRANCHISING LLC

BALANCE SHEET

May 31, 2023

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ASSETS	
<b>Current assets:</b>	
Cash ( <i>Note 2</i> )	\$ 200,000
<b>TOTAL ASSETS</b>	<b>200,000</b>

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LIABILITIES AND MEMBERS' EQUITY	
<b>Current liabilities:</b>	
Accrued expenses	5,000
<b>Total Liabilities</b>	<b>5,000</b>
<b>Members' equity (<i>Note 4</i>)</b>	<b>195,000</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ 200,000</b>

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See independent auditors' report and accompanying notes to the financial statement

# CRAFTY CRAB FRANCHISING LLC

## NOTES TO BALANCE SHEET

May 31, 2023

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### 1. THE COMPANY

Crafty Crab Franchising LLC (the “Company”) was organized as a limited liability company under the laws of the State of Florida on April 21, 2023. The Company has two (2) members with different levels of investment totaling \$200,000 (see note 4). The Company is in the franchise business operating a Cajun-style seafood restaurant specializing in providing customers with a unique and flavorful dining experience. The restaurant offers a wide range of seafood choices, including crab legs, shrimp, crawfish, fried seafood and other seafood delicacies.

At Crafty Crab, the focus is on quality and freshness, preparing seafood using Cajun-inspired recipes, which include a variety of spices and seasonings that are carefully chosen to enhance the flavors of the seafood and to create a warm and welcoming atmosphere to make customers to indulge in delicious seafood dishes whether it is for a quick lunch or a leisurely dinner. The Company is planning to apply for franchise licenses for states of New York, Florida, Ohio, Indiana, Minnesota, Georgia and Wisconsin.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Presentation**

The accompanying financial statement has been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### **Cash and Cash Equivalents**

For the purposes of the financial statement, the Company considers all demand deposits, money market funds, and liquid securities with original maturities of three months or less to be cash equivalents. The Company had no cash equivalents at December 31, 2022.

#### **Use of Estimates**

The preparation of the financial statement in accordance with accounting principles generally accepted in the United States of America requires management to make estimates an assumption that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of financial statement. Actual results could differ from those estimates.

# CRAFTY CRAB FRANCHISING LLC

## NOTES TO FINANCIAL STATEMENT

May 31, 2023

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fair Value of Financial Instruments

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820, *Fair Value Measurement*, defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumption that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. FASB ASC 820 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). In accordance with FASB ASC 820, the following summarizes the fair value hierarchy:

- Level 1 Inputs – Unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.
- Level 2 Inputs - Inputs other than the quoted prices in level 1 that are observable either directly or indirectly.
- Level 3 Inputs - Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

As of December 31, 2022, none of the assets and liabilities were required to be reported at fair value on a recurring basis. Carrying values of non-derivative financial instruments, including cash, and accrued expenses, approximate their fair value due to the short-term nature of these financial instruments.



# CRAFTY CRAB FRANCHISING LLC

## NOTES TO FINANCIAL STATEMENT

May 31, 2023

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### 3. CONCENTRATION OF CREDIT RISK

The Company maintains its cash accounts at a commercial bank. The Federal Deposit Insurance Corporation (“FDIC”) insures up to \$250,000 for the total cash balances in each financial institution. At December 31, 2022, the Company did not have cash balance in excess of FDIC insured limits.

### 4. MEMBERS OF THE COMPANY

Current members of the Company and their shares are as follows:

Member

Jax Seafood Group Holding LLC (65%)	\$	130,000
Aiming Management Group LLC (35%)		<u>70,000</u>
Total	\$	200,000

### 5. SUBSEQUENT EVENTS

The Company’s management has performed subsequent events procedures through July 14, 2023, which is the date the financial statement was available to be issued. There were no subsequent events requiring adjustment to the financial statement or disclosures as stated herein.

**EXHIBIT D TO FRANCHISE DISCLOSURE DOCUMENT**  
**STATE FRANCHISE ADMINISTRATORS**

## STATE FRANCHISE ADMINISTRATORS

### CALIFORNIA

California Commissioner of the  
Department of Financial  
Protection and Innovation  
320 West 4th Street, Suite 750  
Los Angeles, California 90013-2344  
(866) 275-2677

### HAWAII

Commissioner of Securities of the State of  
Hawaii  
Department of Commerce and Consumer  
Affairs, Business Registration Division,  
Securities Compliance Branch  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

### ILLINOIS

Chief – Franchise Bureau  
Office of Attorney General  
State of Illinois  
500 South Second Street  
Springfield, Illinois 62706

### INDIANA

Franchise Section  
Indiana Securities Commission  
302 West Washington Street, Room E-111  
Indianapolis, Indiana 46204

### MARYLAND

Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2020

### MICHIGAN

Consumer Protection Division  
Antitrust and Franchise Unit  
Michigan Department of Attorney General  
670 Williams Building  
525 W. Ottawa Street  
Lansing, Michigan 48913

### MINNESOTA

Minnesota Department of Commerce  
Securities-Franchise Registration  
85 7th Place East, Suite 280  
St. Paul, Minnesota 55101-2198

### NEW YORK

New York State Department of Law  
Investor Protection Bureau  
28 Liberty St. 21<sup>st</sup> Fl.  
New York, New York 10005  
212-416-8236

### NORTH DAKOTA

North Dakota Securities Department  
600 East Boulevard Avenue,  
State Capitol, Fifth Floor, Dept 414  
Bismarck, North Dakota 58505-0510  
Phone 701-328-4712

### RHODE ISLAND

Division of Securities  
1511 Pontiac Avenue  
John O. Pastore Complex – Building 69-1  
Cranston, Rhode Island 02920

### SOUTH DAKOTA

Department of Labor and Regulation  
Division of Insurance  
Securities Regulation  
124 S Euclid, Suite 104  
Pierre, South Dakota 57501

### VIRGINIA

State Corporation Commission  
Division of Securities and Retail Franchising  
1300 East Main Street, 9th Floor  
Richmond, Virginia 23219  
(804-371-9051)

### WASHINGTON

Securities Division  
Department of Financial Institutions  
P.O. Box 9033  
Olympia, WA 98507-9033

### WISCONSIN

Securities and Franchise Registration  
Wisconsin Securities Commission  
201 W. Washington Avenue – Third Fl.  
Madison, Wisconsin 53703

**EXHIBIT E TO FRANCHISE DISCLOSURE DOCUMENT**  
**AGENTS FOR SERVICE OF PROCESS**

**EXHIBIT E**  
**AGENTS FOR SERVICE OF PROCESS**

If a state is not listed below, Crafty Crab Franchising LLC has not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed below in which Crafty Crab Franchising LLC has appointed an agent for service of process.

There may also be additional agents appointed in some of the states listed below.

## CALIFORNIA

California Commissioner of the  
Department of Financial  
Protection and Innovation  
320 West 4th Street, Suite 750  
Los Angeles, California 90013-2344

## HAWAII

Commissioner of Securities of the State of  
Hawaii  
Department of Commerce and Consumer  
Affairs, Business Registration Division,  
Securities Compliance Branch  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

## ILLINOIS

Attorney General of the State of Illinois  
500 South Second Street  
Springfield, Illinois 62706

## INDIANA

Indiana Secretary of State  
201 State House  
200 West Washington Street  
Indianapolis, Indiana 46204

## MARYLAND

Maryland Securities Commissioner  
200 St. Paul Place  
Baltimore, Maryland 21202-2020

## MICHIGAN

Michigan Department of Commerce  
Corporations and Securities Bureau  
6586 Mercantile Way  
Lansing, Michigan 48909

## MINNESOTA

Commissioner of Commerce  
Department of Commerce  
85 7th Place East, Suite 280  
St. Paul, Minnesota 55101-2198

## NEW YORK

Secretary of State of the State of New York  
99 Washington Avenue  
Albany, New York 12231

## NORTH DAKOTA

Securities Commissioner, State of North  
Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol, Fifth Floor, Dept 414  
Bismarck, North Dakota 58505-0510  
Phone 701-328-4712

## RHODE ISLAND

Director of Department of Business  
Regulation  
1511 Pontiac Avenue  
John O. Pastore Complex – Building 69-1  
Cranston, Rhode Island 02920

## SOUTH DAKOTA

Department of Labor and Regulation  
Division of Insurance  
Securities Regulation  
124 S Euclid, Suite 104  
Pierre, South Dakota 57501

## VIRGINIA

Clerk, Virginia State Corporation Commission  
1300 East Main Street  
Richmond, Virginia 23219  
(804-371-9733)

## WASHINGTON

Director of Financial Institutions  
Department of Financial Institutions  
150 Israel Rd. SW  
Tumwater, WA 98501

## WISCONSIN

Administrator, Division of Securities  
Department of Financial Institutions  
201 W. Washington Avenue – Third Fl.  
Madison, Wisconsin 53703

**EXHIBIT F TO FRANCHISE DISCLOSURE DOCUMENT**

**STATE ADDENDA TO DISCLOSURE DOCUMENT**

## CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

**The registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner of the Department of Financial Protection and Innovation.**

OUR WEBSITES HAVE NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENTS 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).

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

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

The State of California has codified regulations specific to the food service industry which may be applicable to you. You may refer to California Plan Check Guide for Retail Food Facilities at <http://www.ccdeh.com/resources/documents/food-safety-guidelines-1/152-california-plan-check-guide-for-retail-food-facilities-2/file>. For further requirements, please see the California Retail Food Code at <http://www.cdph.ca.gov/services/Documents/fdbRFC.pdf>.

If the franchised outlet sells alcoholic beverages, the franchisee must comply with the requirements set forth in the Alcoholic Beverage Control Act and the California Code of Regulations, Title 4 for the sale of alcoholic beverages.

### **ITEM 6 OTHER FEES**

1. The highest interest rate permitted under California law is 10%.

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

The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as per se violations of the Cartwright Act. As long as this represents the law of the State of California, we will not interpret the Franchise Agreement as permitting or requiring maximum price limits.

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

1. California Business and Professions Code sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
2. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq).
3. The Franchise Agreement contains a provision requiring application of the laws of New York. This provision may not be enforceable under California law.
4. The Franchise Agreement requires venue to be limited to New York County, New York. This provision may not be enforceable under California law.



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. The franchisor will not enforce in California the prohibition on franchisee employing or soliciting for employment any current or former employee of franchisor or its affiliates (also known as a no-poach/non-solicitation provision) in Section 12.02 of the Franchise Agreement that is disclosed in Item 17, rows q and r.
6. You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).
7. California Corporations Code, Section 31125 requires us to give you a disclosure document, approved by the Department of Financial Protection and Innovation before we ask you to consider a material modification of your franchise agreement.
8. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.
9. California Corporations Code, Section 31119, states that it is unlawful to sell any franchise in California that is subject to registration under this law without first providing to the prospective franchisee, at least 14 days prior to the execution by the prospective franchisee of any binding franchise or other agreement, or at least 14 days prior to the receipt of any consideration, whichever occurs first, a copy of the offering circular, together with a copy of all proposed agreements relating to the sale of the franchise.
10. Neither the franchisor nor any person or franchise broker disclosed in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq.*, suspending or expelling such persons from membership in such association or exchange.
11. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

## **OTHER**

1. The Franchise Agreement and Area Development Agreement contain a provision requiring you to waive your right to punitive or exemplary damages against the franchisor or any of its representatives, limiting your recovery to actual damages. Under California Corporations Code section 31512, these provisions are not enforceable in California for any claims you may have under the California Franchise Investment Law.
2. No statement, questionnaire, or acknowledgement 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.

3. California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

## HAWAII ADDENDUM TO DISCLOSURE DOCUMENT

1. This proposed registration is exempt from the registration requirements of the states of Connecticut, Florida, Iowa, Kentucky, Maine, Nebraska, North Carolina, Ohio, Oklahoma, South Carolina, Texas and Utah (or, if an exemption notice filing is required to perfect the exemption in any of those states prior to offer or sale of a franchise in such state, then such exemption notice filing will be completed prior to the offer or sale of a franchise in such state).
2. This proposed registration is or will be shortly on file in the states of States of Illinois, Indiana, Maryland, Michigan, Minnesota, New York, Rhode Island, Virginia, and Wisconsin.
3. No states have refused, by order or otherwise, to register these franchises.
4. No states have revoked or suspended the right to offer these franchises.
5. The proposed registration of these franchises has not been withdrawn in any state.
6. No release language set forth in the Franchise Agreement or Area Development Agreement will relieve the Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Hawaii.
7. No statement, questionnaire, or acknowledgement 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.

## ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT

1. Illinois law governs the Franchise Agreement(s).
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

### OTHER

No statement, questionnaire, or acknowledgement 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.

## INDIANA ADDENDUM TO DISCLOSURE DOCUMENT

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

1. The Franchise Agreement, Area Development Agreement and Software License Agreement will each be governed by Indiana law, rather than New York law, as stated in Section 30.03 of the Franchise Agreement (“Governing Law”), Section 18.12 of the Area Development Agreement (“Governing Law”) and Section 16.01 of the Software License Agreement (“Governing Law”), respectively.
2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as a material breach of the franchise agreement, shall supersede the provisions of Article 17 of the Franchise Agreement (“Default and Termination”) and Article 15 of the Area Development Agreement (“Default and Termination”), respectively, in the State of Indiana to the extent they may be inconsistent with such prohibition.
3. No release language set forth in the Franchise Agreement or in the Area Development Agreement shall relieve the Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana.
4. Notwithstanding the terms of Section 8.10 of the Franchise Agreement (“Indemnification”) or Section 9.03 of the Area Development Agreement (“Indemnification”), neither Franchisee or Area Developer (as applicable) will not be required to indemnify Franchisor and the other Indemnitees for any liability caused by Franchisee’s (or Area Developer’s) proper reliance on or use of procedures or materials provided by Franchisor or caused by Franchisor’s negligence.
5. Section 12.04 of the Franchise Agreement (“Enforcement of Covenants Not to Compete”) and Section 11.02 of the Area Development Agreement (“Enforcement of Covenants Not to Compete”) shall not apply to franchises (or area franchises) sold in the State of Indiana.
6. Section 23.01 of the Franchise Agreement (“Injunction”), Section 13.03 of the Area Development Agreement (“Injunction”) and Article VIII of the Software License Agreement (“Injunction”) shall not apply to franchises (or area franchises) offered and sold in the State of Indiana.
7. Section 30.05(B) of the Franchise Agreement (“Waiver of Jury Trial and Punitive Damages”) regarding waiver of punitive and certain other damages is deleted from all Franchise Agreements used in the State of Indiana.
8. No statement, questionnaire, or acknowledgement 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 ADDENDUM TO DISCLOSURE DOCUMENT**

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

### **ITEM 12 TERRITORY**

The following sentence is added at the end of the paragraph in Item 12 concerning our reservation of territorial rights which begins "Under the terms of the Franchise Agreement, you waive and release any claims, demands or damages arising from or related to any of the activities described above":

"These waivers and releases are not intended to nor will they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law. These waivers and releases will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law."

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

1. 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.
2. The laws of the State of Maryland may supersede the Franchise Agreement, including the areas of termination and renewal of the Franchise.
3. A franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Laws must be brought within three years after the grant of the Franchise.
4. The provision of the Franchise Agreement that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

### **OTHER**

No statement, questionnaire, or acknowledgement 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.

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

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
  
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives 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 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 reasonably 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 of 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 or 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 an 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 service.

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

THE 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.

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO THE OFFICE OF THE ATTORNEY GENERAL, CONSUMER PROTECTION DIVISION, ATTN.: FRANCHISE, 670 LAW BLDG., LANSING, MICHIGAN 48913, (517) 373-7117.



## **MINNESOTA ADDENDUM TO THE DISCLOSURE DOCUMENT**

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

### **ITEM 13 TRADEMARKS**

Franchisor will protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

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

1. Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit the Franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the disclosure document or agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.
2. No release language set forth in the Franchise Agreement will relieve the Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Minnesota.
3. Minnesota law provides franchisees with certain termination and non-renewal rights. Minnesota Statutes, Section 80C.14, subdivisions 3, 4, and 5 require, except in certain specified cases, that franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement.
4. Under the terms of the Franchise Agreement as modified by the Minnesota Addendum to the Franchise Agreement, you agree that if you engage in any non-compliance with the terms of the Franchise Agreement or unauthorized or improper use of the System or Proprietary Marks, during or after the period of this Agreement, we will be entitled to seek both temporary and permanent injunctive relief against you from any court of competent jurisdiction, in addition to all other remedies which we may have at law, and you consent to the seeking of these temporary and permanent injunctions."
5. Any claims arising under Minnesota Statutes, Chapter 80C must be brought within three years after the cause of action accrues.

### **OTHER**

No statement, questionnaire, or acknowledgement 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.

## NEW YORK ADDENDUM TO DISCLOSURE DOCUMENT

Notwithstanding anything to the contrary set forth in the Disclosure Document or Franchise Agreement, the following provisions will supersede and apply to all franchises offered and sold under the laws of the State of New York:

**THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. 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 PROSPECTUS.**

**THE FRANCHISOR REPRESENTS THAT THE PROSPECTUS DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.**

### **ITEM 2. BUSINESS EXPERIENCE**

Item 2 of the Disclosure Document lists the directors, principal officers and other executives who will have management responsibility in connection with the operation of the Franchisor's business relating to the franchises offered by this disclosure document, with a statement for each regarding his principal occupations over the past five years.

### **ITEM 3. LITIGATION**

Neither the Franchisor, its affiliates nor any person named in Item 2 above has pending any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) alleging a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations.

Neither the Franchisor, its affiliates nor any person named in Item 2 above has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten year period immediately preceding the application for registration, has been convicted of a misdemeanor or pleaded nolo contendere to a misdemeanor charge or been held liable in a civil action by final judgment or been the subject of a material complaint or other legal proceeding, if such misdemeanor conviction or charge or civil action, complaint or other legal proceeding involved violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations.

Except as disclosed in Item 3 of the FDD, neither the Franchisor, its affiliates, nor any person named in Item 2 above is subject to any currently effective injunctive or restrictive order or decree relating to franchises in general or the franchise offered or under any federal, state or Canadian franchise, securities, antitrust, trade regulation or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency.

### **ITEM 4. BANKRUPTCY**

Neither the Franchisor nor any predecessor, affiliate, officer or general partner of the Franchisor has, during the ten year period immediately preceding the date of this disclosure document, (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the Franchisor held this position in the company or partnership.

## **ITEM 5. INITIAL FEES**

We use the proceeds from Initial Franchise Fees to defray a portion of our expenses in connection with the sale and establishment of franchises, such as: (1) costs related to developing and improving our services; (2) expenses of preparing and registering this disclosure document; (3) legal fees; (4) accounting fees; (5) costs of obtaining and screening franchisees; and, (6) general administrative expenses.

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

1. You may utilize whatever legal rights you may possess to suspend or discontinue operations due to a breach by the Franchisor and you may terminate the Agreement on any grounds available by law.

2. Sections 13.01 (H) and 14.04 (O) of the Franchise Agreement are each amended to include the following language immediately following the requirement that Franchisee execute a General Release:

“Provided, however, that all rights enjoyed by Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of GBL, Section 687.4 and 687.5 be satisfied.”

3. The requirements of Section 12.04 and Section 23.01 of the Franchise Agreement that you consent to the entry of an injunction are modified in the State of New York to provide only that you consent to the seeking of such an injunction.

4. The following sentence is added at the end of the section entitled “Modification” in Item 17 of the Disclosure Document:

“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.”

## **OTHER**

No statement, questionnaire, or acknowledgement 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 ADDENDUM TO DISCLOSURE DOCUMENT**

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

1. The laws of the State of North Dakota supersede any provisions of the Franchise Agreement or New York law if such provisions are in conflict with North Dakota law. The Franchise Agreement and Area Development Agreement will be governed by North Dakota law, rather than New York law, as stated in Item 17(w) of the Franchise Disclosure Document, Section 30.03 of the Franchise Agreement (“Governing Law”) and Section 18.12 of the Area Development Agreement (“Governing Law”).
2. Any provision in the Franchise Agreement which designates jurisdiction or venue or requires the Franchisee to agree to jurisdiction or venue, in a forum outside of North Dakota, is deleted from Franchise Agreements issued in the State of North Dakota.
3. No release language set forth in the Franchise Agreement shall relieve the Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of North Dakota.
4. Item 17(c) of the Franchise Disclosure Document and Section 13.01 of the Franchise Agreement (“Conditions to Successor Franchise Agreement”) each require the execution of a general release upon renewal. This requirement is deleted from all Franchise Disclosure Documents and Franchise Agreements used in the State of North Dakota.
5. Item 17(i) of the Franchise Disclosure Document, Section 18.01 of the Franchise Agreement (“Further Obligations and Rights Following the Termination or Expiration of this Agreement”) and Section 16.01 of the Area Development Agreement (“Other Obligations and Rights on Termination or Expiration”) may require franchisees to consent to termination or liquidated damages. This requirement is deleted from all Franchise Disclosure Documents and agreements used in the State of North Dakota.
6. Covenants restricting competition in the State of North Dakota, such as those found in Item 17(r) of the Franchise Disclosure Document, Section 12.02 of the Franchise Agreement (“Covenant Not to Compete”) and Section 11.01 of the Area Development Agreement (“Covenants Not to Compete”), may be subject to Section 9-08-06 of the North Dakota Century Code. Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.
7. Item 17(v) of the Franchise Disclosure Document, Section 30.04 of the Franchise Agreement (“Venue”) and Section 18.13 of the Area Development Agreement (“Venue”) each require that the franchisee consent to the jurisdiction of courts in New York County, New York. This requirement is deleted from all Franchise Disclosure Documents and agreements used in the State of North Dakota.
8. Section 30.05 of the Franchise Agreement (“Waiver of Jury Trial and Punitive Damages”) requires the franchisee to consent to a waiver of trial by jury. This requirement is deleted from all Franchise Agreements used in the State of North Dakota.
9. Section 30.05 of the Franchise Agreement (“Waiver of Jury Trial and Punitive Damages”) and Section 18.14 of the Area Development Agreement (“Punitive Damages”) each require the franchisee to consent to a waiver of exemplary and punitive damages. This requirement is deleted from all Franchise Agreements and Area Development Agreements used in the State of North Dakota.

10. No statement, questionnaire, or acknowledgement 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.

**ADDENDUM TO  
FRANCHISE DISCLOSURE DOCUMENT  
ADDITIONAL INFORMATION REQUIRED BY  
THE STATE OF RHODE ISLAND**

In recognition of the requirements of the State of Rhode Island Franchise Investment Act (the "Act"), §19-28.1 *et seq.*, the Franchise Disclosure Document submitted by GolfCave Franchising LLC for use in the State of Rhode Island is amended as follows:

1. Item 17 u.- Dispute resolution by arbitration or mediation shall comply with §19-28.1-21 of the Act - Private civil actions - and be amended to read:

*(a.) A person who violates any provision of this Act is liable to the franchisee for damages, costs, and attorneys and experts fees. In the case of a violation of §§ 19-28.1-5, 19-28.1-8, or 19-28.1-17(1)-(5), the franchisee may also sue for rescission. No person shall be liable under this section if the defendant proves that the plaintiff knew the facts concerning the violation.*

*(b) Every person who directly or indirectly controls a person liable under this section, every principal executive officer or director of the liable person, every person occupying a similar status or performing similar functions, and every agent or employee of a liable person, who materially aids in the act or transaction constituting the violation, is also liable jointly and severally with and to the same extent as the person liable under this section, unless the agent, employee, officer, or director proves he or she did not know, and in the exercise of reasonable care could not have known of the existence of the fact by reason of which the liability is alleged to exist.*

2. Item 17 v. - Choice of forum and Item 17 w. - Choice of law shall comply with § 19-28.1-14 of the Act - Jurisdiction and venue - and be amended to read:

*A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.*

3. No statement, questionnaire, or acknowledgement 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 ADDENDUM TO THE DISCLOSURE DOCUMENT**

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

1. Additional Disclosure: The following statements are added to Item 17.h:

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

2. No statement, questionnaire, or acknowledgement 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 DISCLOSURE DOCUMENT

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

1. If any of the provisions in the franchise disclosure document or franchise agreement are inconsistent with the relationship provisions of RCW 19.100.180 or other requirements of the Washington Franchise Investment Protection Act, the provisions of the Act will prevail over the inconsistent provisions of the franchise disclosure document and franchise agreement with regard to any franchise sold in Washington.
2. 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.
3. A release or waiver of rights executed by a Franchisee will 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 Franchise 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, and rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
4. The state of Washington has a statute, RCW 19.100.180 which 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.
5. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.
6. Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.
7. The Franchisor will have no obligation upon the termination of the second Successor Franchise Agreement to offer the Franchisee a continued right to operate its GolfCave Business, and the Franchisee may be required at that time to stop operating its outlet as a GolfCave Store and to comply with all post-termination obligations.
8. 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.
9. 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.

10. In Item 6, the securities offering review fee which is listed, referring to Section 14.08 of the Franchise Agreement, will be no greater than the actual and reasonable costs incurred by the franchisor for such a review.
11. No statement, questionnaire, or acknowledgement 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.

## WISCONSIN ADDENDUM TO DISCLOSURE DOCUMENT

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

1. **REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF SECURITIES OF THE STATE OF WISCONSIN.**
2. The following shall apply to Franchise Agreements in the State of Wisconsin:
  - a. The Wisconsin Fair Dealership Act, Wisconsin Statutes, Chapter 135 shall apply to and govern the provisions of Franchise Agreements issued in the State of Wisconsin.
  - b. That Act's requirement, including the requirements that, in certain circumstances, a franchisee receives ninety (90) days' notice of termination, cancellation, non-renewal or substantial change in competitive circumstances, and sixty (60) days to remedy claimed deficiencies, shall supersede the requirements of Article 19 of the Franchise Agreement ("Default and Termination") to the extent they may be inconsistent with the Act's requirements.
3. No statement, questionnaire, or acknowledgement 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.

**EXHIBIT G TO FRANCHISE DISCLOSURE DOCUMENT**

**STATE EFFECTIVE DATES PAGE**

## STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, 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:

California	Pending
Hawaii	not effective
Illinois	Pending
Indiana	not effective
Maryland	not effective
Michigan	August 3, 2023
Minnesota	Pending
New York	Pending
North Dakota	not effective
Rhode Island	not effective
South Dakota	not effective
Virginia	Pending
Washington	not effective
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.

**EXHIBIT H TO FRANCHISE DISCLOSURE DOCUMENT**

**RECEIPTS**

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

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

Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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

The franchisor is Crafty Crab Franchising LLC, located at 3525 Enterprise Way, Green Cove Springs, Florida 32043. Its telephone number is (888) 454-1576.

Issuance date: July 14, 2023

The franchise sellers for this offering are Lin Luo, Rachel Cai, \_\_\_\_\_ Crafty Crab Franchising LLC, 3525 Enterprise Way, Green Cove Springs, Florida 32043, telephone number (888) 454-1576.

Crafty Crab Franchising LLC authorizes the respective state agencies identified on Exhibit E to receive service of process for it in the particular state.

I received a disclosure document dated July 14, 2023 that included the following Exhibits:

- EXHIBIT A    FRANCHISE AGREEMENT AND RELATED MATERIALS
- EXHIBIT B    AREA DEVELOPMENT AGREEMENT RELATED MATERIALS
- EXHIBIT C    FINANCIAL STATEMENTS
- EXHIBIT D    STATE ADMINISTRATORS
- EXHIBIT E    AGENTS FOR SERVICE OF PROCESS
- EXHIBIT F    STATE ADDENDA TO DISCLOSURE DOCUMENT
- EXHIBIT G    STATE EFFECTIVE DATES PAGE
- EXHIBIT H    RECEIPTS

Dated: \_\_\_\_\_

PROSPECTIVE FRANCHISEE:

If a corporation or other business entity:

If an individual:

\_\_\_\_\_  
(Name of Entity)

\_\_\_\_\_  
(Signature)

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

\_\_\_\_\_  
(Print Name)

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Print Name)

You may return the signed receipt either by signing, dating, and mailing it to Crafty Crab Franchising LLC at 3525 Enterprise Way, Green Cove Springs, Florida 32043 or by electronically executing, dating and returning it through the electronic signature platform that we require or emailing it to [info@crafty-crab-restaurant.com](mailto:info@crafty-crab-restaurant.com).

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Dated: \_\_\_\_\_

PROSPECTIVE FRANCHISEE:

If a corporation or other business entity:

If an individual:

\_\_\_\_\_  
(Name of Entity)

\_\_\_\_\_  
(Signature)

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

\_\_\_\_\_  
(Print Name)

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Print Name)

PLEASE KEEP THIS RECEIPT FOR YOUR RECORDS.