

## FRANCHISE DISCLOSURE DOCUMENT



Angry Crab Franchise, LLC  
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We offer Angry Crab Shack franchises for the operation of southern style seafood boil restaurants offering seafood and Cajun style offerings as well as other authorized food and beverages on an eat-in or take out basis in a lively, casual, friendly environment. As permitted by law, your Angry Crab Shack location must offer a full bar including beer, wine, and spirits that we designate or approve.

The total investment necessary to begin operation of an Angry Crab Shack is estimated to be between \$411,800 and \$1,184,200. This includes \$41,500 to \$51,500 that will be paid to Franchisor or its affiliates. This includes an Initial Franchise Fee of \$50,000 for your first Angry Crab Shack. The total investment necessary to enter into a Development Agreement with us is between \$40,000 and \$80,000. This includes between \$40,000 and \$80,000 that must be paid to us. You may, but are not obligated, to execute a Development Agreement, whereby you agree to open additional Angry Crab Shacks (in addition to your first one) within a defined geographic area (“Development Area”) by certain defined deadlines (the “Development Schedule”) in exchange for the payment of an option fee (the “Option Fee”).

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Andrew Diamond, Angry Crab Shack Franchise LLC, 2345 South Alma School Road Suite 106, Mesa, Arizona 85210 (480) 398-7099.

The terms of your contract will govern your franchise relationship. Do not rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or an accountant.

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20.
<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 J 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 Angry Crab Shack Franchised 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 an Angry Crab Shack Franchised Business 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 A.

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

## Special Risks to Consider About This Franchise

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

1. **Out of State Dispute Resolution.** The franchise agreement requires you to resolve disputes with us by mediation, arbitration and/or litigation only in Arizona. Out-of- state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate, arbitrate or litigate with us in Arizona than in your home state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even if your spouse has no ownership interest in the franchise. This guarantee will place both you and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

**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	Directory of State Agencies and Administrators
B	Franchisor’s Agent for Service of Process
C	Franchise Agreement
D	Agreement to be Bound and to Guarantee
E	EFT Preauthorization
F	Form of General Release
G	Franchisor Lease Addendum
H	Table of Contents of Manuals
I	State Specific Disclosures and Addendums to Franchise Agreement
J	Angry Crab Franchise, LLC Financial Statements
K	Development Agreement
L	Disclosure Questionnaire
M.	State Effective Dates
N.	Receipt

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

### **The Franchisor and its Affiliates**

The franchisor is Angry Crab Franchise, LLC dba Angry Crab Shack, which is referred to in this Disclosure Document as “Franchisor,” “Angry Crab Shack,” “ACS,” “we,” “us” and “our.” A person or entity that buys a franchise from us is referred to in this Disclosure Document as “you,” “your,” or “Franchisee.” If you are a corporation, partnership, limited liability company, or other entity, certain provisions of this Franchise Agreement will also apply to your shareholders, partners, members, and owners that directly or indirectly own 5% or greater equity interest in Franchisee (“Principals”).

Angry Crab Franchise, LLC is an Arizona Limited Liability Company that was formed on September 29, 2015 for the purpose of offering franchised restaurants under the Angry Crab Shack name throughout the United States. Franchisor has never offered franchises in restaurants or any other industry. We do not have any predecessors. Our principal business address is 2345 South Alma School Road Suite 106 Mesa, Arizona 85210.

We do not have a parent or predecessor. We have eight (8) Affiliates.

Angry Crab Shack Corporation is an Arizona corporation formed on August 19, 2013. Its principal business address is 2345 South Alma School Road Suite 106 Mesa, Arizona 85210. Angry Crab Shack Corporation is the owner of the Marks and operates the original Angry Crab Shack in Mesa, Arizona.

Angry Crab Shack BBQ, LLC is an Arizona limited liability company formed on March 12, 2014. Its principal business address is 2345 South Alma School Rd., Suite 106, Mesa, Arizona 85210. Angry Crab Shack BBQ, LLC operates an Angry Crab Shack restaurant in Phoenix, Arizona.

AC East Mesa, LLC is an Arizona limited liability company formed on February 27, 2015. Its principal place of business is 2345 South Alma School Rd., Suite 106, Mesa, Arizona 85210. AC East Mesa, LLC operates an Angry Crab Shack in Mesa, Arizona.

AC Peoria, LLC is an Arizona limited liability company formed on January 7, 2015. Its principal place of business is 2345 South Alma School Rd., Suite 106, Mesa, Arizona 85210. AC Peoria, LLC operates an Angry Crab Shack in Peoria, Arizona.

AC Goodyear, LLC is an Arizona limited liability company formed on February 27, 2015. Its principal place of business is 2345 South Alma School Rd., Suite 106, Mesa, Arizona 85210. AC Goodyear, LLC operates an Angry Crab Shack in Goodyear, Arizona.

AC Investment Holdings, LLC is an Arizona limited liability company formed on April 23, 2019. Its principal place of business is 2345 South Alma School Rd., Suite 106, Mesa, Arizona 85210. It invests in Angry Crab Shack restaurants.

Except as described above, neither we nor any of our Affiliates, have offered any other franchises in any other line of business.

The identity and principal business address of Franchisor’s agents for service of process are listed in Exhibit B to this Disclosure Document.

## **The Franchise**

We franchise the right to own and operate Angry Crab Shacks for the operation of southern style seafood boil restaurants offering seafood and Cajun style offerings as well as other authorized food and beverages on an eat-in or take out basis in a lively, casual, friendly environment. Unless prohibited by law, you must operate a full-service bar offering a variety of beer, wine, and spirits that we designate or approve at each of your Angry Crab Shacks. Angry Crab Shacks offer, among other things, unique preparation techniques, proprietary systems and methods, high quality product specifications, signs, trade secrets and other confidential information, architectural designs, trade dress, layout plans, uniforms, equipment specifications, inventory and marketing techniques.

In connection with this Disclosure Document, we offer two types of agreements: (i) a Franchise Agreement for the operation of an Angry Crab Shack at an agreed upon location; and (ii) a Development Agreement granting you the right to develop, open and operate an agreed upon number of Angry Crab Shacks in a defined geographic area referred to as the "Development Area" on or before the Development Deadlines included in the Development Agreement. We require you to sign a Franchise Agreement. You may, but are not obligated to sign a Development Agreement. If we enter into a Development Agreement, you and we will agree to a Development Schedule that outlines the dates by which each of those additional Angry Crab Shacks must be opened. (See Exhibit K).

If you sign a Development Agreement, you will be required to sign the Franchisor's then current form of Franchise Agreement when you sign subsequent franchise agreements pursuant to the Development Agreement.

Angry Crab Shacks may also be referred to as a "**Franchised Business**" or "**Franchised Businesses.**"

Angry Crab Shacks will range between 5,500 and 7,000 square feet and are generally located in a street location, enclosed mall, strip center, or freestanding building with dense residential and strong daytime working populations.

## **Competition and Market**

People of all ages consume the products offered by Angry Crab Shacks. That being said, the restaurant industry is extremely competitive and changes quickly. You will have to compete with other restaurants, pubs, and bars serving seafood and other types of restaurant style food as well as supermarkets, food retailers, and food trucks located in your venue, market area, and vicinity. Some of your competitors may include Angry Crab Shacks operated by other franchisees or by us or our Affiliates.

## **Industry Specific Regulations**

You will be required to comply with all local, state and federal laws and regulations that apply to restaurant operations, including health, sanitation, food safety, non-smoking, EEOC, OSHA, discrimination, employment and wage and hour statutes, Family Medical Leave Act, and the federal Americans with Disability Act of 1990. As we grow, you may be required to comply with provisions of the Affordable Care Act, a federal law requiring food outlets with 20 or more units nationally to post calories on their menus or menu boards. You will need to understand and comply with those and other laws in operating your Angry Crab Shack. You will be required to comply with laws and regulations concerning the storage and handling of fish and shellfish including laws requiring the tagging of oysters and/or other shellfish.

You should consult with your attorney to determine what federal, state and local laws may affect your Angry Crab Shack operations. We also require your compliance with all provisions of the USA Patriot Act, Office of Foreign Asset Control ("OFAC") rules and guidelines, and Executive Order 13224. You should talk to an advisor or your attorney regarding compliance with these laws.

You must obtain a liquor license unless the service of all types of alcohol is prohibited by law. State and local laws, regulations and ordinances vary significantly in the procedures, difficulty, and cost to obtain a license to sell liquor, the restrictions placed on how liquor may be sold, and the potential liability dram shop laws impose involving injuries, directly and indirectly, related to the sale of liquor and its consumption. You must understand and comply with those laws in operating your Angry Crab Shack.

## **ITEM 2: BUSINESS EXPERIENCE**

Ronald Lou-Chief Executive Officer. Mr. Lou has been our Chief Executive Officer since our formation in September 2015. Between August 2013 and January 2016, Mr. Lou was an owner/operator of our Affiliates Angry Crab Shack Corporation and Angry Crab Shack and BBQ, LLC in Phoenix, Arizona.

Andrew Diamond-President and Chief Financial Officer. Mr. Diamond has been our President and Chief Financial Officer since our formation in September 2015. From January 2014 through January 2016, Mr. Diamond was the Chief Financial Officer of our affiliate Angry Crab Shack Corporation.

Brian Herskovets - Director of Franchise Support – Mr. Herskovets joined Angry Crab Franchise LLC in July 2022. Between March 2018 and June 2022, Mr. Herskovets was the Regional Director of Operations for Kahala Brands Holdings in Scottsdale, Arizona. Between April 2017 and February 2018, Mr. Herskovets was the Corporate Operations Manager for Maggione Group in Scottsdale, Arizona.

Hugo Moran – Franchise Support Manager. Mr. Moran joined Angry Crab Franchise LLC in April of 2021. Between July 2020 and March 2021, Mr. Moran did consulting for private restaurant owners in Jacksonville, Florida. Between August 2018 and June 2020, Mr. Moran was the Regional Vice President of Franchise Operations for Romacorp based in Orlando, Florida. Between August 2015 and July 2018, Mr. Moran was the Director of Franchise and Company Operations for ARC Group based in Jacksonville, Florida.

William Anderson – Franchise Support Manager. Mr. Anderson joined Angry Crab Franchise LLC in July of 2021. Between January 2021 and June 2021, Mr. Anderson was a Regional Business Leader with Dickey’s Barbecue in Fort Worth, Texas. Prior to this Mr. Anderson served as a Franchise Business Director for Village Inn Restaurants, a subsidiary of American Blue Ribbon Holdings in Nashville, Tennessee from November 2000 to August 2020.

Cindy Pyun – Director of Training. Mrs. Pyun joined Angry Crab Franchise LLC in November of 2020. Prior to that Mrs. Pyun was the Director of Global Training at Kona Grill in Scottsdale, Arizona between September 2001 and June 2020.

Vanice Hoepfner – Marketing Coordinator. Miss Hoepfner joined Angry Crab Franchise LLC in April of 2020. Between September 2019 and March 2020, Miss Hoepfner was a Junior Graphic Designer at Cutter Aviation in Phoenix, Arizona. Prior to this Miss Hoepfner served as a Production Artist at the Sieb Organization from August 2019 to September 2019. Prior to this Miss Hoepfner was a student at Northern Arizona University in Flagstaff, Arizona between August 2015 and May 2019.

## **ITEM 3: LITIGATION**

Angry Crab Shack Corporation and Angry Crab Franchise, LLC v. Angry Crab Tucson, LLC; Marco Guevara; and Valerie Irizarry CV2019-006183, Superior Court of the State of Arizona in and for the County of Maricopa. On April 5, 2019, Franchisor and our affiliate Angry Crab Shack Corporation filed suit against Angry Crab-Tucson, LLC, Marco Guevara, and Valerie Irizarry, our Tucson, Arizona franchisee and its owners alleging: (i) breach of a franchise agreement; (ii) breach of a sublease agreement; (iii) breach of Guaranty Agreement; (iv) breach of a Loan Agreement; (v) unjust enrichment; and (vi) seeking a declaratory judgment conforming the Franchisor’s right to terminate the franchise agreement and take over the Tucson Angry Crab Shack restaurant. Our claims against Angry Crab-Tucson, LLC are based upon the



development and operation of a franchised Angry Crab Shack restaurant in Tucson, Arizona. Our affiliate Angry Crab Shack Corporation made a loan to Angry Crab-Tucson, LLC of \$401,127.58 to assist in the development and opening of the franchisee's Angry Crab Shack. The loan agreement called for Angry Crab-Tucson, LLC to make monthly payments beginning on April 1, 2018. No loan payments have been made. We also allege in the complaint that AC-Tucson, LLC is in breach of the franchise agreement and sublease agreement associated with the Tucson Angry Crab Shack. The alleged violations include ongoing operational failures, attempts to hire our personnel, maintenance of an independent website, failure to fully participate in promotional and charitable programs, using an unauthorized operations manual, and failure to repay the loan made by Angry Crab Shack Corporation. On November 30, 2019, the parties entered into a settlement agreement that resulted in the dismissal of all related litigation. As part of the settlement agreement, the franchise agreements for Guevara Angry Crab Shacks in Tucson, Arizona and Ahwatukee, Arizona were terminated. Our affiliate Angry Crab Shack Corporation forgave the loan in exchange for all of the assignment of the assets at the Tucson, Arizona Angry Crab Shack. Our Chief Executive Officer, Ron Lou, agreed to purchase Marco Guevara's interest in AC Bell Road, LLC. Guevara was authorized to operate a non-competing restaurant at the location of the former Ahwatukee, Arizona location. Guevara agreed to comply with the post-termination covenants not to compete in Tucson, Arizona and surrounding the Ahwatukee location.

Angry Crab Shack Corporation v. Angry Crab Corporation, 1:2015-cv-04869, United States District Court for the Northern District of Illinois. On June 2, 2015, our affiliate Angry Crab Shack Corporation ("Angry Crab Shack") filed suit against Angry Crab Corporation, an Illinois corporation and other related affiliate entities and individuals (collectively "Angry Crab Corporation"), alleging trademark infringement, unfair competition, false designation of origin, and trade dress infringement, based upon the defendant's operation of a restaurant in Chicago, Illinois called "Angry Crab". Angry Crab Shack Corporation claims against the defendant are based upon its prior use of the "Angry Crab Shack" marks in connection with its restaurants that began in 2013. The defendant denied that its use of the name Angry Crab and/or similar décor and menu items infringes our trademarks and/or trade dress and/or that it has superior rights in Illinois notwithstanding the fact that it did not open its restaurant until February 2015. On September 6, 2016, the parties executed a Settlement and Mutual Release Agreement. In the Settlement and Mutual Release Agreement, the defendants acknowledged Angry Crab Shack's ownership of and exclusive rights in the word mark ANGRY CRAB SHACK, the word mark ANGRY CRAB SHACK & BBQ, the related logos, and any confusingly similar marks or logos, including but not limited to, the word marks ANGRY CRAB and THE ANGRY CRAB (collectively, the "Marks") for restaurants and related goods and services throughout the United States. The defendants may not open any restaurants using the Angry Crab name outside a defined geographic area within the City of Chicago, Illinois (the "Limited Territory"), are only permitted to advertise their restaurants within the Limited Territory, may not use television or radio to advertise their restaurants, may not launch any mobile applications, may not sublicense or offer franchises, and may only publish advertisements for the restaurants in publications that are distributed exclusively within the Limited Territory. In exchange, we (and our Affiliates) agreed to not direct advertising specifically to the Limited Territory provided that general advertising that includes the Limited Territory will not violate this agreement. We did not pay any money to anyone in connection with the settlement agreement.

Other than the actions identified above, 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**

##### **Initial Franchise Fee**

The initial franchise fee (“**Initial Franchise Fee**”) for your first Angry Crab Shack is \$50,000. The Initial Franchise Fee for your second and subsequent Angry Crab Shacks is generally \$45,000 but will be \$40,000 per Angry Crab Shack if you execute a Development Agreement with us at the same time that you execute your initial Franchise Agreement. We have the right to reduce or waive the Initial Franchise Fee in certain cases.

The Initial Franchise Fee for your Angry Crab Shack will be \$40,000 beginning with your first Angry Crab Shack if you are: (i) a veteran of the United States military (having been honorably discharged from the U.S. armed forces); or (ii) a current or former firefighter or police officer.

If the Franchise Agreement is signed in connection with a transfer, renewal, or relocation, you will not pay the Initial Franchise Fee.

We may increase the Initial Franchise Fee at any time and the Initial Franchise Fee that you will pay for additional franchises will be the fee contained in the Disclosure Document in effect at the time you deliver your signed Franchise Agreement (in the then-current form) for additional franchises to us.

### **Option Fee**

At the time that you execute your first Franchise Agreement, you may also execute a Development Agreement whereby you: (i) agree to execute a franchise agreement or franchise agreements and open and operate additional Angry Crab Shacks within the Development Area on or before the deadlines identified in the Development Schedule; and (ii) pay us an Option Fee for each Angry Crab Shack that you and we agree will be opened in the Development Area. The Option Fee is equal to one half (1/2) of the Initial Franchise Fee for each Angry Crab Shack to be opened in the Development Area. You will pay us the remaining one half (1/2) of the Initial Franchise Fee with respect to each additional Angry Crab Shack when you sign the Franchise Agreement for the subsequent Angry Crab Shack. You will sign the Franchise Agreement for subsequent Angry Crab Shack restaurants on or before the earlier of: (i) the deadline set forth in the Development Agreement; and (ii), the date you sign a lease or purchase the property in which the subsequent Angry Crab Shack will operate. The Initial Franchise Fees payable with respect to your Development Agreement will be \$50,000 for the first Angry Crab Shack and \$40,000 for each additional Angry Crab Shack for which an Option Fee is paid. The minimum number of Angry Crab Shacks that you must agree to open (in total) in connection with a Development Agreement is three (3).

Neither the Initial Franchise Fee nor Option Fee are deposits. Neither fee is refundable under any circumstances. The Initial Franchise Fee and Option Fee are payable by certified or cashiers’ check and are due in full upon your signing a Franchise Agreement and Development Agreement.

### **Equipment, Signage and Existing Angry Crab Shacks**

We may acquire certain used equipment and signage and offer it for sale to prospective or existing franchisees at a price that we believe to be equal to or less than the fair market value of that equipment and signage. If we make that offer to you, you have the option of purchasing that equipment and signage from us or purchasing new equipment and signage from approved third parties. In addition, we or our Affiliates, may offer to sell to prospective or existing franchisees an existing operational Angry Crab Shack (including the equipment, signage, fixtures, inventory and other items necessary to operate the Angry Crab Shack) at a price that we believe to be equal to or less than the fair market value of the Angry Crab Shack. If we make that offer to you, you have the option of purchasing the existing operational Angry Crab Shack or starting your own Angry Crab Shack.

## Uniforms

We may sell to you or require you to purchase uniforms from us for your Angry Crab Shack. The amount you pay us for uniforms will be dependent upon the number of employees that you have and/or the number of uniforms that you decide to maintain.

Except as stated above, the Initial Franchise Fee and Option Fee are currently uniform for all new Angry Crab Shack franchises.

### ITEM 6: OTHER FEES

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Royalty Fees <sup>(2)</sup>	5% of Net Sales	Weekly on every Wednesday for Royalty Fees due for the previous week. <sup>(3)</sup>	Payable by ACH. A week for the payment of Royalty Fees is Monday through Sunday.
Advertising Fund Fee <sup>(4)</sup>	Up to 2% of Net Sales although this fee is currently 1% of Net Sales	Weekly on every Wednesday for Advertising Fund Fees due for the previous week <sup>(3)</sup> . Shall be paid at same time and same manner as your Royalty Fees.	Payable by ACH. We may increase the Advertising Fund Fee upon 30 days written notice to you.
Transfer Fee <sup>(5)</sup>	\$2,500-\$20,000	At closing of the transfer.	\$20,000 payable prior to transfer of Franchise Agreement or controlling ownership interest in business entity of franchisee to a new owner or partner. \$2,500 due upon transfer of Franchise Agreement for controlling ownership interest in business entity of franchisee to an existing franchise owner. No charge if agreement is transferred to or among family members or to an entity which you own and control, but we may pass along our costs.
Renewal Fee <sup>(6)</sup>	Twenty-five percent (25%) of the initial franchise fee then being charged for new franchisees	Upon your delivery of written notice to us of your intent to renew your Franchise Agreement.	You may, with our approval and consent, which will not be unreasonably withheld, and the payment of the Renewal Fee, renew the Franchise Agreement for consecutive five (5) year

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
			terms. The Renewal Fee is payable each time that you renew your Franchise Agreement.
Relocation Fee <sup>(7)</sup>	Actual expenses incurred up to \$5,000	Upon delivery of your written request to relocate your Franchised Business.	We have the right to approve or disapprove a proposed relocation. If we disapprove, we will refund the Relocation Fee minus the costs associated with our review of the proposed relocation.
Additional Initial Training Fee <sup>(8)</sup>	\$1,500 per student	Upon registration for the Training System of anyone beyond the three (3) individuals included with your Initial Franchise Fee.	The Training Fee for 3 individuals is included with the payment of your Initial Franchise Fee. Payable at the time you register for our Training System.
Hours Violation Fee	\$100 per day that you are not open the required number of hours	Payable if you are not open for business the minimum required hours as stated in the Manuals (unless waived by us in writing).	You must be open 7 days and at least 75 hours per week with the exception of Thanksgiving and Christmas Day. Our hours of operation are 11 am – 10 pm, Sunday – Thursday; 11 am – 11 pm, Friday and Saturday.
Continuing Training, Annual & Other Meetings <sup>(9)</sup>	As incurred	Upon invoice, ACH, or EFT no less than six (6) months prior to the scheduled training or meeting.	You are required to attend our continuing training, annual meeting, and other meetings that we schedule. These meetings may take place at our headquarters or other locations throughout the United States. We may charge you a fee for mandatory training and meetings regardless of whether you actually attend such meetings.
Alternative Supplier Evaluation Fee	The reasonable cost of the inspection and the actual cost of the evaluation not to exceed \$5,000	Prior to our inspection of your proposed alternative supplier.	Any alternative supplier must meet our standards and specifications. You will be responsible to reimburse us the reasonable cost of the

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
			inspection and the actual cost of the evaluation in evaluating a proposed alternative supplier.
Technology Fee	\$80-\$400/month	As invoiced by our third party providers or Us.	To maintain the integrity of the System and provide our Franchise Businesses with an integrated business management solution, we have contracted with technology service providers including inventory management, intranet communication, and resource library services. Provider rates are subject to change and you must pay us in advance each month based on the then current rates.
On-site Consultation Fee	Our reasonable travel and living expenses plus \$250 per day.	Within ten (10) days of delivery of invoice by us.	We will provide on-site consultation to you on an as needed basis if you request such assistance from us and pay the fees and expenses associated with our consultation to you.
Default Interest <sup>(10)</sup>	1.5% per month on all unpaid amounts.	You will be required to pay us interest equal to 1.5% per month on any amounts not timely paid to us within ten (10) days of deadline.	The Default Interest rate will be lowered if state or federal law requires a lower interest rate.
Document Late Charge <sup>(11)</sup>	\$100 per week per late document.	Upon your failure to timely provide us with documents or reports required by the Franchise Agreement including the Manuals.	
Draft Draw Charge <sup>(12)</sup>	\$100 per returned draft.	Weekly if we cannot ACH your business account for all amounts owed on a weekly basis.	If you fail to provide us with the information we need to draw drafts against your account for Royalty Fees and other payments owed to us pursuant to your

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
			Franchise Agreement.
Audit	Our costs, fees and expenses if the audit reveals an understatement.	Promptly after the audit if the audit reveals an underpayment, from the due date.	You will be required to pay Default Interest on unpaid amounts revealed during any Audit of your Franchised Business.
Interim Operating Fee	Eight percent (8%) of Net Sales plus our reasonable expenses.	Weekly at the same time as your Royalty Payment.	Payable if you abandon, fail to properly operate, or request that we (or our designee) operate your Angry Crab Shack.
Premiums and Other Amounts Paid by us if You Fail to Purchase Required Insurance	Varies.	As incurred.	We may, in our sole discretion, pay insurance premiums or other amounts that you fail to pay for required insurance and charge you such premiums and fees plus fifteen percent (15%).
Attorneys' Fees and Costs <sup>(13)</sup>	Varies.	As incurred.	
Indemnification of us	Varies.	As incurred.	
Currency <sup>(14)</sup>	Any conversion fees that we incur.	As incurred.	All payments must be in U.S. Dollars.
Taxes	Varies.	Within 10 days of invoice.	

**NOTES:**

All fees payable to us or our Affiliates may be modified by us from time to time without your approval. Those fees will be no greater than the fees then being charged to new franchisees. Except as stated above, all fees are uniformly imposed and collected.

All fees in the above table are payable to us or our Affiliates. All fees in the above table are not refundable.

We require you to sign a pre-authorization form to enable us to draw against your bank account for the full amount of the Royalty Fees, Advertising Fund Fees, equipment fees, and for any other amounts that you owe to us or our Affiliates or your cooperative advertising association (for example, for promotional materials). The form of that authorization is contained in Exhibit E to this Franchise Disclosure Document.

“**Net Sales**” as used in this Franchise Disclosure Document mean all sales, money or things of value, received or receivable, directly or indirectly, by Franchisee on account of or in connection with the operation of the Angry Crab Shack plus the proceeds received or realized by Franchisee in connection with any business interruption insurance maintained by Franchisee for Franchisee’s benefit; less (A) applicable sales taxes; (B) any documented refunds, promotional discounts, credits or allowances given by you to customers or employees in accordance with the Manuals; (C) proceeds from the sale (but not from the redemption) of authorized gift cards to customers; (D) the incidental sale of furnishings, fixtures, equipment or supplies that Franchisee has used to operate the Angry Crab Shack in the ordinary course; (E) contributions made to approved charities pursuant to marketing programs approved by Franchisor; (F)

proceeds from the sale of meals to employees at a discount. For the sake of clarity, Net Sales shall include the amount of any gift card redeemed by a customer to purchase food or beverages at Franchisee's Angry Crab Shack(s).

The royalty period runs from the Monday to Sunday (the "Calendar Week"). Royalty Fees and Advertising Fund Fee payments based on Net Sales during each Calendar Week shall be withdrawn by ACH from your bank account on the Wednesday after the end of the previous Calendar Week.

We will collect an Advertising Fund Fee up to two percent (2%) of your Net Sales each week. As of the issuance date of this Disclosure Document, the current Advertising Fund Fee is 1% of Net Sales. We may increase the Advertising Fund Fee upon thirty (30) days written notice to you. We will collect your Advertising Fund Fee at the same time and in the same manner as we collect your Royalty Fee.

We have agreed to enter into this Agreement with you based upon your application, background, and experience. We are willing to allow you to transfer your Angry Crab Shack to a new franchisee if they meet our then current standards for new franchisees and you comply with our requirements for transferring your Angry Crab Shack. One of the requirements for transferring your Franchised Business is the payment of a transfer fee of \$20,000 to us at the time you provide written notice of your intent to transfer the Franchised Business (the "Transfer Fee"). The Transfer Fee is intended to reimburse us for our costs, expenses, and time in reviewing, administering, and processing the proposed transfer of your Franchised Business.

The initial Term of the Franchise Agreement is ten (10) years. At the expiration of the Term, Franchisee may renew the Franchise Agreement for consecutive, unlimited, five (5) year terms (each a "**Renewal Term**"). To renew the Franchise Agreement at the end of the Term or a Renewal Term, you must comply with our renewal requirements. One of our renewal requirements is the payment of a renewal fee. Your renewal fee will be twenty-five percent (25%) of the initial franchise fee then being charged to new Angry Crab Shack franchisees.

You must request and receive our approval before relocating your Angry Crab Shack from the address and location originally selected by you and approved by us. At the time you submit a written request to relocate your Franchised Business; you must deposit with us \$5,000 as a Relocation Fee. The Relocation Fee is intended to cover our administrative expenses associated with reviewing and administering your proposed relocation. If we approve your relocation, we will retain the entire Relocation Fee. If we disapprove your proposed relocation, we will return the Relocation Fee minus our reasonable costs and expenses in reviewing the proposed relocation.

The Training System for up to three (3) people is included with your Initial Franchise Fee. If you require additional people to attend the Training System, you will pay us a fee of \$1,500 per additional person. Training of the additional people may be held at the same time as training of the initial three people, at our election. All training program attendees bear their own travel, lodging and meal expenditures in connection with attending the training program. If you fail to complete our training program to our satisfaction, we may require or permit you to attend the training program again, at your expense (\$1,500 per person, plus travel, lodging and meal expenditures in connection with attending the training program). Additional training programs and refresher courses may be required upon renewal and from time to time.

We may elect, in our sole discretion, to charge a fee for additional training programs. You will be required to bear your own travel, lodging, and meal expenditures in connection with attendance. In addition, you must attend, at your expense, all annual and other meetings and conference calls of franchisees that we determine are mandatory for all franchisees, or groups of franchisees (as designated by us), such as franchisees within a particular geographic region. We will bill you in advance for the attendance fee for all national meetings and training programs-whether you attend or not. We may also impose a charge for your failure to attend those programs, courses, meetings, and conference calls.

We may charge you default interest on any unpaid amounts at the rate of 1.5% per month. Default interest will accrue on a weekly basis.

If you fail to deliver or provide to us any statement, report or other document or information required to be delivered (for example, sales reports, certificates of insurance and financial statements), by the applicable deadline, you will be assessed a late charge of \$100 per week, or part thereof (until that statement, document or other information has been delivered or provided), which amount may be increased by us from time to time.

If you fail to provide us with any necessary information or documentation with respect to our practice of drawing drafts against your bank accounts, you will be assessed a fee in the amount of \$100 per day.

You are responsible for our reasonable attorneys' fees incurred in enforcing our rights under the terms of the Franchise Agreement including but not limited to our efforts to collect Royalty Fees and other amounts that you owe to Franchisor or our Affiliates.

Computation of any amounts to be paid that require conversion between currencies will be made at the selling rate for United States Dollars quoted by our primary bank on the date on which payment is made.

**ITEM 7: ESTIMATED INITIAL INVESTMENT  
YOUR ESTIMATED INITIAL INVESTMENT**

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Franchise Fee <sup>(1)</sup>	\$40,000	\$50,000	Lump Sum	At signing of Franchise Agreement	Us
Lease Security Deposit	9,500	\$25,000	Lump Sum	Upon execution of lease agreement	Landlord(s)
Type of Expenditure			Method of Payment	When Due	To Whom Payment is to be Made
Rent for first three (3) months <sup>(2)</sup>	\$18,000	\$45,000	As Incurred	Prior to Opening	Landlord(s)
Real Estate Broker Fees <sup>(3)</sup>	\$0	\$5,000	As incurred	Prior to execution of Lease Agreement	Approved Real Estate Broker
Travel and Living Expenses (3 persons) while training <sup>(4)</sup>	\$7,500	\$15,000	As Incurred	During Training	Airlines, Hotels, Restaurants, Etc.
Leasehold Improvements including restaurant equipment and furniture <sup>(5)</sup>	\$235,000	\$766,000	As Incurred	Prior to Opening	Approved contractors and vendors
Opening Inventory, Small Wares, and Supplies <sup>(6)</sup>	\$25,000	\$60,000	Lump Sum	Prior to Opening	Approved Suppliers
Interior and Exterior Signage	\$7,000	\$20,000	As Incurred	Prior to Opening	Approved Sign Company



Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Point of Sale System and Back Office Computer	\$16,000	\$20,000	As Incurred	Prior to Opening	Approved or Designated POS Vendor
Required Insurance Premiums <sup>(7)</sup>	\$2,500	\$3,500	Lump Sum deposit and then monthly	Prior to Opening	Approved Suppliers
Permits and Licenses	\$4,200	\$40,000	As Incurred	Prior to Opening	Regulatory Agencies
Technology Fees (first 3 months)	\$0	\$1,200	As billed by third party vendor	As billed by third party vendor	Approved Supplier
Miscellaneous Opening Costs <sup>(8)</sup>	\$1,500	\$2,500	As Incurred	As Incurred	Approved Suppliers, Utilities, Etc.
Grand Opening <sup>(9)</sup>	\$5,000	\$10,000	Lump Sum	Prior to Opening	Suppliers
Professional Fees <sup>(10)</sup>	\$3,000	\$10,000	As Incurred	Prior to Opening	Your accountant, attorney and other professionals
Uniforms	\$1,500	\$2,500	Lump Sum	Prior to Opening	Suppliers or Us
Training Payroll	\$10,500	\$32,500	As Incurred	Prior to Opening	Employees
Additional Funds- 3 month initial period <sup>(11)</sup>	\$25,000	\$75,000	As Incurred	As Incurred	Us, Employees, Various Third Parties
ServSafe Food Safety Certification	\$600	\$1,000	Prior to Class	As incurred	Third parties
<b>TOTAL<sup>(12)</sup></b>	<b>\$411,800</b>	<b>\$1,184,200</b>			

**NOTES:**

(1) The Initial Franchise Fee for your first Angry Crab Shack is \$50,000. The Initial Franchise Fee for your second and subsequent Angry Crab Shacks is \$45,000 if you do not to execute a Development Agreement. We have the right to reduce or waive the Initial Franchise Fee in certain cases. The Initial Franchise Fee for your Angry Crab Shack will be \$40,000 beginning with your first Angry Crab Shack if you are: (i) a veteran of the United States military (having been honorably discharged from the U.S. armed forces); or (ii) a current or former firefighter or police officer. **The Initial Franchise Fee is non-refundable.** The Initial Franchise Fee includes the training expenses for three (3) individuals. There is a charge of \$1,500 per additional person attending the Training System.

(2) If you do not own a suitable location, you must lease or purchase the Premises for your Angry Crab Shack. If you lease the Premises, the property owner or sub-landlord will generally require a security deposit, the amount of which generally ranges from one month of monthly rent to six months of monthly rent. The amount of your security deposit will vary according to your area, the type of location (street location, enclosed mall, strip center, or freestanding building), and various other factors. A lease security

deposit may be non-refundable and is paid directly to the property owner of the Premises. In addition, in certain lease transactions, the property owner may require you and your owners to personally guarantee the lease. If you decide to purchase land and construct your own building or buy an existing building, you can expect to add the cost of the real estate to the total investment indicated in this Item 7 of the Disclosure Document. Real estate costs vary considerably depending on fair market values in your area; size, condition, and location of the Premises; and municipal requirements. Construction costs also vary considerably depending on fair market values in your area; size, condition, location of the Premises; labor costs (union versus non-union); and equipment requirements. The square footage generally needed to establish an Angry Crab Shack is between 5,500 and 7,000 square feet. This breakdown includes approximately 3,000 square feet of dining space, 1,500-2,500 of kitchen space, and 1,000-1,500 of bar space. The probable locations for an Angry Crab Shack are a street location, enclosed mall, strip center, or freestanding building with dense residential and strong daytime working populations.

(3) The broker's fee is typically 3% of the total lease amount and is estimated to be between \$0 and \$5,000. All or part of the real estate broker's fee is typically paid by the Landlord. If the Landlord pays the real estate broker's fee, you will not pay a broker's fee.

(4) You must pay the travel and living expenses for three (3) people to attend our training program in Mesa, Arizona. Your travel and living expenses will include airfare, hotel, and food for approximately three (3) weeks. This amount may be significantly higher if you reside in certain remote areas or if you and we agree that you may bring more than three (3) people through the training program. This amount does not include salaries, if any, for you and your employees.

(5) This amount includes estimated costs of furniture, furnishings, installations, equipment, trade fixtures, and certain other items for your Angry Crab Shack Premises, the amount and specific items of which will vary depending upon the location, size, and condition of a particular restaurant. You must purchase restaurant equipment for your Angry Crab Shack from approved vendors and according to our specifications. The list of approved vendors is included in the Manuals. The Landlord may provide some leasehold improvements, but if not, they will be at your expense. The total amount of leasehold improvements for your Angry Crab Shack will vary greatly, depending on the type of Premises for your Angry Crab Shack, condition of the Premises, and what improvements you require. You must use approved third party architects and project management firms for the design and construction oversight of your Angry Crab Shack. In addition, you must use approved third party contractors for the construction of your Angry Crab Shack. The list of and/or criteria for approved architects, engineers, and contractors is included in the Manuals. The estimated costs of approved architects, engineers, and contractors is included in this estimate.

(6) As with any retail business, you will purchase inventory continuously as long as you operate your Angry Crab Shack. This figure only represents an estimate of the initial inventory you will be required to purchase in opening your Angry Crab Shack.

(7) You must provide liability insurance equal to or greater than the following minimum insurance coverage requirements for each of your Angry Crab Shacks.

Type of Coverage	Limits/Specifications
Commercial General Liability	\$1,000,000 per occurrence/\$2,000,000 aggregate
Products/Completed Operations Liability	\$1,000,000 per occurrence/\$2,000,000 aggregate
Liquor Liability	\$1,000,000 per occurrence/\$2,000,000 aggregate
Fire Legal Liability	\$350,000
Medical Payments	\$5,000

Type of Coverage	Limits/Specifications
Building Improvements and Betterments including Business Personal Property Coverage	Replacement cost coverage on all tenant improvements (including inventory, furniture, fixtures, equipment, and supplies) or as required by your Landlord
Spoilage	\$100,000
Business Income	Coverage to cover your Net Sales and continuing expenses including Royalty Fees or other fees or expenses payable to us for a period of not less than 12 months
Flood, Earthquake and Volcanic Eruption	If you are in a flood zone or an area subject to earthquakes, hurricanes, tornadoes, or volcanoes.
Workers' Compensation	\$1,000,000 or greater amount required by statute
Employer Liability	\$1,000,000
Hired and Non-Owned Automobile Liability	\$1,000,000

Each of the policies described above must have a deductible no greater than \$1,000 except for the Employer Liability coverage, which may have a deductible of \$5,000.

The required Commercial General Liability, Fire Legal Liability, Products/Completed Operations, Medical Payments and Hired and Non-Owned Automobile Liability insurance limits may be accomplished by the purchase of a commercial umbrella policy with a \$5,000,000 limit, which includes the underlying for combined single limit \$1,000,000 per occurrence and \$2,000,000 aggregate, including \$1,000,000 personal injury, \$350,000 Fire Legal Liability and \$5,000 medical payments, and the limit of \$1,000,000 non-owned and hired auto, if no vehicles are owned or leased by you.

Each insurance policy must name us, our Affiliates and our respective officers and owners as additional named insured, contain a waiver by the insurance carrier of all subrogation rights against us and our Affiliates for casualty losses and must require 30 days prior written notice to us before being modified, cancelled or terminated and 30 days prior written notice to us before the policy expires.

Some property owners may require higher levels of public liability insurance under their leases. Initial premiums for public liability insurance are subject to change due to market forces beyond either of our control. Failure to maintain such insurance may result in loss of your franchise. The cost of other coverage, including workers' compensation coverage and your discretionary purchases, varies widely. You must obtain all insurance we require from a carrier rated "A-VII" or better. It must also provide that failure by Franchisee to comply with any term, condition, or provision of the contract, or other conduct by Franchisee will NOT void or otherwise affect the coverage afforded us.

You must always keep the required insurance coverage in force, and you must comply with any changes we make periodically to our insurance requirements. If your Angry Crab Shack is located in a flood zone or an area subject to earthquakes, hurricanes, tornadoes, other similar hazards, you may want to obtain additional specific insurance to cover these risks; such insurance may increase your premiums significantly. Upon thirty (30) days' notice to you, we may require you to increase the minimum coverage of the insurance referred to above as of the next renewal date of any policy, and require different or additional kinds of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification of special risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances.

At the time you sign your Lease and annually, at least 10 days prior to renewal of your insurance coverage, and at any other time on our request, you must provide us with certificates of insurance or copies of insurance policies confirming that you are in compliance with our insurance requirements, as well as

evidence that you have paid the premiums you owe for the insurance we require. You will pay your insurance premiums directly to your insurance broker or to the insurance company issuing the policy. You must have insurance and have provided a copy of your certificate of insurance, which meets our requirements, to Franchisor before you may open your Angry Crab Shack. In the event you fail to obtain or maintain the required insurance coverage, we reserve the right, but are not obligated to, obtain the required insurance on your behalf and charge the insurance premium to you.

(8) This represents an estimate of miscellaneous costs that you may incur in addition to the classes of costs identified in Item 7.

(9) You will be required to conduct a grand opening advertising campaign in conjunction with the opening of your Angry Crab Shack. You must pay all costs of the grand opening, including publicity costs and promotional costs, plus the full cost of any price reductions or other customer inducements. If applicable, we will assist you with developing and carrying out this grand opening campaign.

(10) You should retain business professionals (advisors, accountants, attorneys) to assist you in evaluating, establishing, and managing your Angry Crab Shack. This is an estimate of the fees that you will incur in the retention of such professionals.

(11) Cash flow from your operations may not be adequate to cover operating and other costs during the initial phase of business. The range shown estimates your expenses during the first three months of operation. These expenses include payroll costs (excluding any wage or salary paid to you), other miscellaneous expenses, and working capital. We cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as how closely you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for our product; the prevailing wage rate; competition; and the sales level achieved during the initial period. The estimated additional funds is based upon our experience as a franchisor and our Affiliates' experience operating company stores.

(12) These estimated ranges are based on our experience and the experience of Angry Crab Shack franchisees.

### **YOUR ESTIMATED INITIAL INVESTMENT**

**The estimated Initial Investment for an Angry Crab Shack Development Agreement<sup>(1)</sup> is:**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Option Fee <sup>(2)</sup>	\$40,000-80,000	Lump Sum	At execution	Us

(1) We will only enter into a Development Agreement with you if you have already entered into a Franchise Agreement with us. Therefore, the initial investment that you will incur is in addition to the initial investment paid in connection with your first Angry Crab Shack.

(2) The Development Fee is paid if and only if you execute a Development Agreement with us. In the Development Agreement, Franchisee agrees to open and operate additional Angry Crab Shacks within the Development Area in compliance with the Development Schedule (See Exhibit K) in exchange for the payment of an option fee (the "Option Fee"). The Initial Franchise Fee is \$40,000 for each additional Angry Crab Shack opened under the Development Agreement. The Option Fee is equal to one half (1/2) of the Initial Franchise Fee for each Angry Crab Shack to be opened in the Development Area. You will pay us the remaining one half (1/2) of the Initial Franchise Fee with respect to each additional Angry Crab Shack

when you sign the Franchise Agreement for each subsequent Angry Crab Shack.

(3) The remainder of the Initial Franchise Fee with respect to each Angry Crab Shack authorized by the Development Agreement will be paid when you sign a Franchise Agreement for that location. If you and we agree to grant you franchise and development rights in excess of four (4) Angry Crab Shacks, the Option Fee may be greater than the estimated amount.

(4) You may execute a Development Agreement at the same time that you execute a Franchise Agreement. The minimum number of Angry Crab Shacks that you must agree to open (in total) in connection with a Development Agreement is three (3). The amount specified above shows a range of Development Fees payable in connection with an agreement authorizing you to open between two (2) and (4) additional Angry Crab Shacks.

If you are a veteran of the United States military (having been honorably discharged from the U.S. armed forces) or a current or former firefighter or police officer, the Option Fee may be lower. **The Option Fee is non-refundable.**

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

We have spent significant time, effort, and funds to develop the Angry Crab Shack System (the "System"). We have acquired experience and skill in developing and operating restaurants offering seafood and Cajun style offerings as well as other authorized food and beverages on an eat-in or take out basis.

The unique characteristics of our System include, among others, proprietary marks, recipes, distinctive exterior and interior design, décor, color and identification schemes and furnishings; specially designed equipment; special menu items, ingredients, and proprietary recipes and formulations; standards, specifications and procedures for operations; quality of products and services offered; management programs, training and assistance; and marketing, advertising and promotional programs. You must conform to our high and uniform standards of quality, safety, cleanliness, appearance, and service indicated in detail in our Manuals and related documents provided to all franchisees or otherwise in writing.

You must follow all our standards and specifications as to the products you offer. This is important to you, other franchisees, and to the System. We anticipate that our standards will change over time, and you are expected to adhere to these changes. We and our Affiliate(s) are currently the only Approved Supplier of certain uniforms and other logo items used in your Angry Crab Shack but we reserve the right to approve other suppliers for such products.

Unless prohibited by law, your Angry Crab Shack location must offer a full bar including beer, wine, and spirits that we designate or approve.

You must, at your own cost and expense, use only approved third party real estate brokers, architects and project management firms, as detailed in the Manuals, and associated construction/design manuals, for the design and construction oversight of your Angry Crab Shack. Except for the firms designated and approved by Franchisor, no architect or project management firm may be used for the design and construction oversight of your restaurant. In addition, you must use approved third party contractors for the construction of your Angry Crab Shack.

You must purchase an interior and exterior sign package and menu panels in accordance with our specifications indicated in the Manuals and related documents provided to all franchisees.

You are required to acquire, from our Approved Supplier, and exclusively use our approved point of sale system and software in connection with the operation of your Angry Crab Shack. The components and specifications of this system are specifically identified in the Manuals, including approved vendors for such

system. You shall also be required to own a personal computer, laptop, or similar device that allows you to communicate electronically with us.

You are required to accept all approved debit and credit cards, along with Franchisor's gift cards, loyalty cards, frequency cards, and any other similar Franchisor sponsored electronic card and/or payment program (collectively "**Gift/Loyalty Card**") from consumers at your Angry Crab Shack. Prior to the opening of your Angry Crab Shack, you will be required to acquire an approved debit, credit, and Gift/Loyalty card processing system to use during the operation of your Angry Crab Shack. The components and specifications of these systems are identified in the Manuals, including approved vendor(s) for such items. Additionally, you must utilize Franchisor's designated third party payment card processor, as identified in the Manuals, for processing all such debit, credit, rewards, and Gift/Loyalty card transactions.

You must complete a food safety-training program at your cost. We recommend the SERVSAFE course available through your local county health department, or we will accept your local county or state required program or any other nationally recognized food safety program. You must provide us with a copy of your certificate prior to commencing training.

You may not maintain an internet site, otherwise maintain a presence, or advertise on the Internet or any other public computer network in connection with your Angry Crab Shack without our prior written approval. We must approve any social media efforts (including Twitter, Facebook, Instagram, Yelp, etc.). You will be required to comply with our social media guidelines in your management of any such social media efforts.

We may allow you to utilize a local produce company for your produce in order to maintain the high level of food quality expected at Angry Crab Shacks.

We may appoint ourselves or our Affiliates as an approved or designated supplier (including the only designated supplier) of certain products including food products. We or Angry Crab Shack Corporation are currently an approved distributor of certain proprietary Angry Crab Shack products, including uniforms, printed materials, and other logo items. We may, in the future, become an approved distributor or the only approved distributor for additional proprietary products. Other than our affiliate Angry Crab Shack Corporation, which may provide uniforms and other logo items, none of our officers is an owner of an approved or designated supplier. Ron Lou and Andrew Diamond own an interest in Angry Crab Shack Corporation.

The Franchise Agreement requires that all food products, ingredients, equipment, furniture, fixtures, décor, signs, computer equipment, supplies and other products, services and materials which you will use in the operation of your Angry Crab Shack meet our standards and be purchased only from Approved Suppliers or Designated Suppliers. You may use any operational service providers, such as exterminators, refrigeration services companies; refuse removal companies, and similar service providers that you desire as long as such use complies with your Lease and local laws. If we introduce or test new products (as described in the Franchise Agreement attached as Exhibit C) or a new supplier of an approved product, you will be required to purchase such approved product(s) from the Approved Supplier within sixty (60) days of notification from us. We currently have other non-affiliated Approved Suppliers of all food products, equipment, small wares, furniture, POS Systems, beverage equipment, liquor, beer, wine, sound systems, and certain ingredients and other logo items utilized in your Angry Crab Shack. To become an Approved Supplier, a supplier must demonstrate, to our reasonable satisfaction, it can meet all of our standards, and has adequate capacity to supply Franchisee's quantity and delivery needs. We will provide you with a list of Approved Suppliers for your market area as part of the Manuals.

All requests for approving new or alternative suppliers must be submitted in writing by you and/or the supplier to us. Each request will be reviewed in accordance with our then-current procedures and the supplier must meet our then current requirements, which may include that our representatives be allowed

to inspect the facilities of the proposed supplier, and that samples from the proposed supplier be delivered, at no charge to us, either to us or to our designee for testing. Our criteria for approving suppliers is available to franchisees upon written request to us. A charge not to exceed the reasonable cost of the inspection and the actual cost of the test not to exceed \$5,000 must be paid to us either by you or by the proposed supplier. If approved, in our sole reasonable discretion, we will notify you and/or the supplier in writing within 60 days of our receipt of an approval request. You must not offer for sale or sell any of the proposed alternative supplier's products until you receive our written approval of the proposed alternative supplier. We may, at our option, re-inspect the facilities and products of any Approved Supplier and revoke its approval upon the supplier's failure to meet any of our then current minimum standards and specifications. If you receive a written notice of revocation from us, you must stop selling disapproved products and stop purchasing from the disapproved supplier.

We and our Affiliates may also receive rebates and/or allowances from certain suppliers on purchases made by you and other franchisees. The rebates and/or allowances we receive are generally based upon a percentage of franchisee purchases. We may use the rebates and allowances received for our general operating purposes to benefit the Angry Crab Shack System in our sole and absolute discretion. Franchisor received total rebates and/or allowances of \$64,279.11 during 2022, which represents 4.5% of our total revenue of \$1,427,545.49.

You can expect that the items you will purchase in accordance with our specifications will represent 90%-95% of the total purchases you will make to begin operations and 90%-95% of your annual operating expenses for raw materials, products, and supplies.

We estimate your purchases from us will be between 0% and 5% of your total annual purchases.

We may negotiate special pricing arrangements or discounts with some of our suppliers. The arrangements may include special contract pricing, volume discounts, and specific discounts from regular wholesale prices. These discounts are typically passed on to our franchisees and/or contributed to our Advertising Fund once established. We do not provide any other material special benefits to franchisees based on their purchase of particular approved supplies or their use of particular Approved Suppliers.

Franchisor provides all specifications and standards to Franchisees in the Confidential Restaurant Launch Manual and the Confidential Operations Manual (the "Manuals"). We may modify the specifications and standards from time to time by providing franchisees with modification or supplemental inserts to the Manuals, by providing notices or bulletins, or by amending the Manuals. The Manuals are part of your Franchise Agreement with us.

We have not arranged any purchasing or distribution cooperatives among our franchisees.

We may from time to time provide referral incentives to franchisees, employees and others for qualified referrals of prospective franchisees. We may, from time to time, pay membership fees to public, quasi-public, and private service providers who refer potential franchisees from identified groups (veterans or military personnel planning to leave the service).

We may vary the terms of our franchises in connection with testing new marketing, branding, research, and development of new menu offerings, and/or operational programs. These tests are generally conducted with experienced, existing franchisees and may include incentives and other rights which are not available to all franchisees. We reserve the right to sell some of the products associated with the Angry Crab Shack brand to different retail outlets such as grocery chains or membership-based retailers.

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## ITEM 9: FRANCHISEE’S OBLIGATIONS

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

Obligation	Section in Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	2, 5	8, 11, 12
b. Pre-opening purchases/leases	2(c), 6	8, 11
c. Site development and other pre-opening requirements	5	5, 8, 11
d. Initial and ongoing training	3	11
e. Opening	6(q)	8, 11
f. Fees	8	5, 6, 7, 8
g. Compliance with standards and policies/operating manual	6	8, 11, 12, 13, 16
h. Trademarks and proprietary information	7	13, 14
i. Restrictions on products/services offered	6(d)	8, 11
j. Warranty and customer service requirements	Not applicable	Not applicable
k. Territorial development and sales quotas	2, 5 (Exhibit 1), Development Agreement	5, 12
l. Ongoing product/service purchases	6(c), 6(d)	8, 11, 16
m. Maintenance, appearance, and remodeling requirements	6(i)	11
n. Insurance	6(t)	7
o. Advertising	6(p), 6(q), 8(c)	6, 8, 11
p. Indemnification	11	6, 13, 14
q. Owner’s participation/management/staffing	6(k)	15
r. Records and reports	9(a)	7
s. Inspections and audits	6(m), 9(b)-9(d)	6
t. Transfer	13	6, 11
u. Renewal	14	6, 11
v. Post-termination obligations	17	13, 14
w. Non-competition covenants	12(g)	13, 14, 17
x. Dispute resolution	29	17

## ITEM 10: FINANCING

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

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

**Except as disclosed below, Angry Crab Franchise, LLC is not required to provide you with any assistance.**

Before you open your business, we will provide the following assistance to you:



We will assist you in selecting a Franchise Territory and/or Development Area for the development of your Angry Crab Shack(s). The factors that we will consider in approving your proposed Franchise Territory and Development Area include neighborhood economic profiles, population density, accessibility, competition, and proximity to major retail and business activity. (See Section 2(b), Exhibit 2; Exhibit C: Franchise Agreement, See Section 8, Exhibit K: Development Agreement).

We will assist you in selecting a site for your Angry Crab Shack. We do not select the site for your Angry Crab Shack. We will provide you with site location criteria and may provide additional site selection counseling and assistance. If no site has been designated at the time you sign the Franchise Agreement, we will identify your non-exclusive Site Selection Area in the Franchise Agreement. You will be required to lease or purchase the Premises for your Angry Crab Shack from a third party or, in some instances, from us or our Affiliates. Most Angry Crab Shacks are developed by franchisees that find their own locations and negotiate their own real estate interests. You must select, secure, and open an acceptable site within one (1) year from the date that you sign the Franchise Agreement (the "Opening Deadline Period"). The site must be located within the Site Selection Area identified in Exhibit 2 to your Franchise Agreement. The factors that we will consider in approving your proposed site include, among other things: location, occupancy costs, proximity to major retail activity and other Angry Crab Shacks, sign visibility, traffic volume and speeds, parking availability, neighborhood economic profile, population density, accessibility, competition, and other tenants in the shopping center, mall, or applicable retail structure. If you cannot secure a site acceptable to us and open your Angry Crab Shack within one (1) year after you sign the Franchise Agreement, we may terminate your Franchise Agreement by giving you written notice, and you will not be entitled to a refund of any portion of your Initial Franchise Fee. We have the right to move or modify the Site Selection Area during the Opening Deadline Period. Modifications to the Site Selection Area may be made as a result of, but not limited to, sites secured by other franchisees, real estate availability, additional demographic information and other relevant factors. You should not acquire any interest in a site for your Franchised Business until you have been approved as a franchisee and we have approved the site in writing (See Section 2(c), Exhibit C: Franchise Agreement).

You must use an approved third party real estate broker to assist you in identifying a suitable location for your Angry Crab Shack. After you identify a location, we will approve or disapprove of the location and terms of the proposed lease or purchase agreement for your site within 10 days after you provide us with a copy of the terms. You must purchase or lease your business location from independent third parties. If you intend to lease your business location, the lease must include certain required provisions including a Franchisor Lease Addendum. (See Section 5(c), Exhibit C: Franchise Agreement).

You must conform the Premises to all codes and ordinances and obtain all required permits. You must, and are solely responsible for, constructing or remodeling and decorating the location to our standards and subject to our approval. Franchisor does not provide assistance with conforming the Premises to codes and ordinances, obtaining permits, or constructing, remodeling or decorating your Angry Crab Shack, but the approved third party architect and project management firm may provide you with assistance. You must provide us with one copy of the plans for your Angry Crab Shack within 15 days after selection of the site. We will make reasonable efforts to approve or disapprove of the proposed site within 15 days of submission, however, if we do not approve the site, it shall be deemed rejected. We must approve all changes or revisions to the plans required for your site before you begin construction. You must hire and use, at your sole cost and expense approved third party architects and project management firms. In addition, you must use approved third party contractors for the construction of your Angry Crab Shack. (See Section 6(r), Exhibit C: Franchise Agreement).

We will assist you in identifying the furnishings, fixtures, and equipment (including cash registers, point of sale systems, and computer hardware and software), signs, products, materials, and supplies necessary or authorized for your Angry Crab Shack to begin operation. (See Sections 6(d) and 6(e), Exhibit C: Franchise Agreement).

We will provide you with all standards of operation that you must use or satisfy before you open your Angry Crab Shack. (Section 6(a), Exhibit C: Franchise Agreement).

We will provide you with the names and contact information of any suppliers you are required or authorized to use to supply you with products or services complying with our standards and specifications. The names and contact information of the Approved Suppliers and the written specifications for the approved equipment, signs, fixtures, opening inventory, and supplies are contained in the Manuals. Franchisor does not deliver or install any of these approved items. (Sections 6(a) and 6(d), Exhibit C: Franchise Agreement).

During the classroom portion of the Training System, we will provide you with one copy of the Manuals that contains mandatory and suggested specifications, standards, and procedures. The Manuals are confidential and remain our property. We may modify the Manuals as and when we desire and you will be required to comply with the modified Manuals in the operation of your Angry Crab Shack from the date of such modification. (See Section 6(a), Exhibit C: Franchise Agreement).

We will make an initial training program (the “Training System”) available to you and your designated representative after you sign the Franchise Agreement. The following Table indicates the general subject matter, the days each subject is covered, the number of hours of classroom training, and the number of hours of "on-the-job" training for each subject to be covered during the Training System, and who will be performing each section of the Training System. Our instructors are experienced and adequately trained in the ownership and operation of an Angry Crab Shack. The persons in charge of the training program are Ron Lou, our Chief Executive Officer, Andrew Diamond, our President, and Eric Kardon, our Director of Operations. Messrs. Lou and Diamond have been in charge of our training program since our formation in 2015. Mr. Lou is the founder of Angry Crab Shack and has operated restaurants for 25 years. Mr. Diamond has been involved in operating and managing our affiliate Angry Crab Shack Corporation since 2013. Mr. Kardon has been involved with restaurant operations and industry related training since 2000. Other personnel involved with on-the-job training of franchisees are third party training specialists who may assist us in developing the Training System. During the classroom portion of the Training System, staffing, kitchen management, inventory control, marketing and sales, POS/back office system, reporting and administration will be taught using the Manuals. (See Section 3, Exhibit C: Franchise Agreement).

In-store training will be taught in an Angry Crab Shack using the following instructional materials: Confidential Restaurant Launch Manual and the Confidential Operations Manual. Certain portions of the Training System may be altered or eliminated based upon your skill set. Further, substitute instructors may handle certain portions of the Training System.

### INITIAL TRAINING AGENDA

Topic	Classroom	On-The-Job Training	Location
Introduction	8	0	Mesa, Arizona
Food Prep	0	16	Mesa, Arizona
Fry Station	0	24	Mesa, Arizona
Sauce/Boil Station	0	24	Mesa, Arizona
Expo Station	0	10	Mesa, Arizona
Kitchen Review/Summary/Q&A	6	0	Mesa, Arizona
Server/HBR Training	0	24	Mesa, Arizona
Bar Training	0	8	Mesa, Arizona
Manager Operations Training	8	70	Mesa, Arizona
POS/Reporting Training	8	0	Mesa, Arizona
HR/Marketing Training	2	0	Mesa, Arizona
Inventory Management Training	0	15	Mesa, Arizona

<b>Topic</b>	<b>Classroom</b>	<b>On-The-Job Training</b>	<b>Location</b>
Review/Summary/Q&A	5	0	Mesa, Arizona
CrabLab Courses/Review	12	0	Mesa, Arizona
<b>Total</b>	<b>49</b>	<b>191</b>	

You or another partner, shareholder or member of your business organization, your General Manager and your Kitchen Manager must successfully complete our Training System to our satisfaction. If you wish to own and operate multiple Angry Crab Shacks, you must continuously employ a minimum number of General Managers and Kitchen Managers who have successfully completed our Training System. You and your General Managers and Kitchen Managers must be able to read and write English fluently, in our good faith opinion, to satisfactorily complete our Training System, and to communicate with employees, customers and suppliers. If at any time prior to the opening or during the operation of your Angry Crab Shack you hire a new General Manager or Kitchen Manager, the new manager must successfully complete the Training System. The fee for a new manager to attend the Training System is \$1,500 per person.

The classroom portion of the Training System will be held in Mesa, Arizona, and the in-store portion of the Training System at one of our affiliated Angry Crab Shacks in the metropolitan Phoenix, Arizona area, or at such other location(s) as we may designate in our sole discretion. You will need to arrange for transportation, food, and lodging for you and your designated attendee. The costs you incur will depend on the distance you must travel and the type of accommodations you choose. The Training System is currently offered as needed by a particular franchisee although we reserve the right to set a Training System schedule in the future.

You must complete the Training System no more than 6 weeks and no less than 1 day prior to the opening of your Angry Crab Shack.

In addition to the Training System, you must ensure that all of your employees are trained in Angry Crab Shack procedures. You are solely responsible for hiring and training your employees. You must also ensure that the manager(s) and all employees whose duties include customer service are able to read and write English fluently and any other language that may be required to meet the public needs in your Angry Crab Shack. We believe training is important to the success of the Angry Crab Shack System, and from time to time, we may offer formal and informal training sessions to franchisees. You must attend, and you should require your employees to attend, any such training sessions. You must purchase any online, DVD or streaming training programs that we may make available to you from time to time. In order for your employees to operate these programs, you must purchase and make available a computer to present these training courses in your Angry Crab Shack(s).

We may hold mandatory refresher or additional training programs, conferences and seminars. Your attendance at these programs is mandatory. To help us defray the cost of sponsoring these programs, there may be a nominal registration fee, and you will be required to pay the cost of transportation, food, lodging, and other personal expenses of your attendance and those of your personnel at any such program. These programs will be held at locations within the United States that we will specify in our sole discretion.

The summary of total training days does not include travel days. Depending on where you are traveling from, you may be required to arrange for additional time to travel to and from our training program location.

Some of the Principal and Kitchen Manager Training will be conducted simultaneously.

Our Confidential Operations Manual is currently 293 pages long but may be modified from time to time. Our Confidential Restaurant Launch Manual is currently 119 pages long but may be modified from time to time. Modification of the Manuals may result in increases and/or decreases in the number of pages. A copy of the Table of Contents for the Manuals is attached as Exhibit H to this Franchise Disclosure Document.

We will provide you, as part of the Manuals, with operating procedures to assist you in complying with our standard methods of record keeping, controls, staffing and training requirements, and production methods. (See Section 6(a), Exhibit C: Franchise Agreement).

If you are opening a new Angry Crab Shack, we will assist you in coordinating a grand opening promotional advertising program or such other advertising program as we may specify. (See Section 6(q), Exhibit C: Franchise Agreement).

The typical length of time between the earlier of the signing of the Franchise Agreement or the first payment of consideration for the franchise and the opening of a franchised Angry Crab Shack is 6-9 months. The factors that may affect this time are: lease or purchase negotiations; zoning procedures; financing applications; local ordinances and approvals; obtaining licenses and permits; construction delays; weather conditions; shortages; delayed installation of equipment, fixtures and signs; development or construction not in accordance with our requirements; labor disputes; Acts of God; and other reasons.

### **During the operation of your Angry Crab Shack:**

1. We will maintain a continuing advisory relationship with you, including consulting with you in marketing, merchandising, and general business operations, which may help you in improving and developing your Franchised Business. (See Section 4 Exhibit C: Franchise Agreement).

We will provide you with information on our operating and other standards for your Angry Crab Shack. We may modify these as, and when, we desire. (Section 6(a) Exhibit C: Franchise Agreement).

We will continue our efforts to maintain high and uniform standards of quality, cleanliness, appearance, and service at all Angry Crab Shacks in the System, including making periodic inspections and quality service checks of your Angry Crab Shack. (Section 6(m) Exhibit C: Franchise Agreement)

We will provide one of our representatives to come to your Angry Crab Shack during opening week for up to 5 days, at our expense, to work with you and/or your General Manager on opening, operating and marketing your Angry Crab Shack. You may request that our representative assist you for a longer period but you will be required to pay us On-Site Consultation Fees for additional time that our representative spends assisting you in opening your Angry Crab Shack. (Section 4(d) Exhibit C: Franchise Agreement)

Upon your request, we will assist you or provide recommendations regarding establishing pricing for the products you sell in your store; however, the ultimate decision on the prices you charge is yours. We will not establish prices for you. (Section 6(o) Exhibit C: Franchise Agreement)

Upon your request, we will reasonably assist you in resolving operating problems you may encounter. (Section 4(a) Exhibit C: Franchise Agreement)

In 2020, we established a National Advertising Fund (the “Advertising Fund”) that includes your Advertising Fund Fees and those of other franchise owners in the System, in accordance with the Franchise Agreement (See Item 6 of this Disclosure Document). The Advertising Fund Fee, which is a percentage of your Net Sales (See Exhibit C: Franchise Agreement) shall be due and payable with the Royalty Fee (See Exhibit C: Franchise Agreement). All Angry Crab Shack franchisees must contribute to the Advertising Fund at the same rate, which is currently 1% of your Net Sales but may be increased at any time by us, upon thirty (30) days written notice, to an amount up to and including two percent (2%) of Net Sales (the “Advertising Fund Fee”). If an affiliate of ours administers the Advertising Fund or places advertising in connection with the System, such affiliate may be paid a fee that will not exceed the fee that would be payable to unrelated third parties for comparable services. Each of our company-owned or affiliated Angry Crab Shacks will make contributions to the Advertising Fund on the same basis as required of the other Angry Crab Shack owners in the same geographic market. Unless required by applicable law, we will have

no obligation to create a trust account, escrow account, or other special account for the Advertising Fund, and the monies comprising the Advertising Fund may be placed in our general account(s) if we desire. We may also reserve portions of the Advertising Fund for use in a subsequent year. (See Section 8(c) Exhibit C: Franchise Agreement). We may solicit franchisee input directly and/or form a franchise advisory council to provide input to us on the use of the Advertising Fund although we are not obligated to do so. We are not obligated to act on any specific proposals or recommendations from franchisees or a franchise advisory council. During 2021, we collected \$179,190 in Advertising Fund contributions. We used the Advertising Fund on local search engine optimization, public relations and production of the franchise website.

The Advertising Fund will be used for marketing, advertising, production, and media expenses to promote the Angry Crab Shack name, System, products, and services. The Advertising Fund may be used to pay any and all costs of maintaining, administering, directing, and preparing advertising, including the cost of preparing and conducting television, radio, internet, social media, digital, electronic mail, magazine and newspaper advertising campaigns and other public relations activities, employing advertising agencies to assist in such campaigns or other activities, and providing customizable digital files and other marketing materials to franchise owners. We are entitled to receive the following from the Advertising Fund: reimbursement of our expenses, overhead, and employee salaries for services provided to the Advertising Fund, and rent for office space provided to the Advertising Fund. Advertising funds not spent in the fiscal year in which they accrue are rolled over to the next fiscal year. The Advertising Fund is not audited and the financial statements for the Advertising Fund are not available to franchisees. We may use an outside advertising agency to create and place advertising or we may use an in-house marketing department. The Advertising Fund will be used to create new marketing material and promote the products and services offered by Angry Crab Shacks.

You will be required to list your Angry Crab Shack in all generally available online directories serving the geographical area in which your Angry Crab Shack is located or you must participate in a multiple restaurant listing in the event there is more than one franchise owner in such area. In either case, the online information included with such listing(s) must be approved by us in advance.

In addition to contributions to the Advertising Fund and telephone directory advertisements, if applicable, described above, we require that you spend not less than 2% of your Net Sales up to \$3,000,000 ("Local Store Marketing Expenditure") on local advertising. The Local Store Marketing Expenditure is required because the products currently offered by Angry Crab Shacks are highly competitive, there are many similar restaurants and products and local marketing and advertising may be necessary to maximize your particular customer base and draw attention to your Angry Crab Shack. You must also spend at least \$5,000 on advertising and promotion of the grand opening of your Angry Crab Shack.

All advertising by you must be conducted in a professional manner, must conform to the standards and requirements in the Manuals, and must display our Marks only in those forms approved by us. You will submit samples to us (through e-mail, return receipt requested) and obtain our prior approval (except with respect to the cost of the advertising) of all advertising and promotional plans and materials that you desire to use and that have not been prepared or previously approved by us. If you do not receive our written approval within 15 days from the date of receipt by us of such materials, we will be deemed to have rejected the proposed advertising. We may make available to you, from time to time, approved advertising, promotional plans and materials for purchase. You will not be obligated to accept or purchase any such advertising, promotional plans, and materials offered to you by us.

You may not maintain a website or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with your Angry Crab Shack without our prior written approval.

We will not prevent the formation of franchisee cooperatives. We may, in our sole discretion form, develop, and coordinate Cooperatives. Currently, there are no regional or national marketing cooperatives for Angry Crab Shack franchisees. We encourage our franchisees to form and operate voluntary franchisee

cooperative regional advertising associations (each a "Cooperative"). If a Cooperative is formed for your region, you must participate in the Cooperative or lose your right to vote as to Cooperative matters. The membership of the Cooperative would be defined by us by market area. We reserve the right at any time, in our sole discretion, to form, change, dissolve, or merge Cooperatives and you will be obligated to contribute to the Cooperative in an amount established and approved by the Cooperative that will be in addition to your other required marketing expenditures.

Currently, there is no advertising council composed of Angry Crab Shack franchisees that advises us on advertising policies although we reserve the right to establish such council in our sole discretion.

We must review proposed substitute locations and you must obtain our prior approval if you desire to relocate your Angry Crab Shack. (Section 5(b) Exhibit C: Franchise Agreement)

We will offer you the option to renew your Franchise Agreement for consecutive, unlimited, five (5) years terms, if you meet our requirements at the time of each renewal. Upon renewal, you must execute our form of Franchise Agreement being used at the time of your renewal and pay us the applicable Renewal Fee although the term of that Franchise Agreement will be amended to be five (5) years. (Section 14 Exhibit C: Franchise Agreement)

We require you to exclusively use a designated point-of-sale system to record all your sales during the operation of your Angry Crab Shack, the components of which are identified in the Manuals (the "**POS System**"). We require that the manufacturer or its authorized representative to service the POS System, at your cost. You will be required to maintain the POS System in good working order at all times, and to upgrade or update the POS System during the term of your Franchise Agreement as we may require from time to time. There are no contractual limitations on the frequency or cost for Franchisee to upgrade or update the POS System during the term of the Franchise Agreement. It will be your responsibility to enter into contracts for the maintenance, support, upgrades, and updates to the POS System with an Approved Supplier of such services identified in the Manuals or other notification to you from us advising of suppliers for your market area. Your POS System cost per Angry Crab Shack will depend, among other things, on your Angry Crab Shack's size and configuration, the system options you choose and/or we determine and the types of telephone and internet access services available. You are required to obtain a high speed/always on internet connection service for your POS System. This requirement shall be defined by the then-current Manuals, which may change from time to time. You may be required, from time to time, to upgrade the POS System's hardware and/or software, at your sole cost and expense, in order to maintain the POS System in conformity with our then current requirements. You and your employees must complete training for the POS System as we require. If you are buying an existing Angry Crab Shack with an older system, it is a requirement for the transfer that you purchase and install the then current POS System in your Angry Crab Shack. (Section 6(e) Exhibit C: Franchise Agreement)

We require you to use a POS System that allows us to monitor your Net Sales. The POS System allows us to produce system-wide statistics that may improve purchasing and assist us in the development of new authorized products or the removal of existing unsuccessful authorized products. In addition to refining existing authorized products and improving system-wide understanding of our marketing efforts, the POS System must be configured to provide us with remote access to the information and data stored in it. This access allows us to exchange/collect data and other information as we shall from time to time communicate to you. There are no contractual limitations on our right to access the information in your POS System. All approved POS Systems are capable of recording accumulated sales and cannot be turned back or reset, and must be able to retain data in the event of power loss. You must purchase the approved electronic POS System from an approved vendor, as we have required our Approved Supplier to make special modifications to their equipment and systems to comply with our requirements. You must also purchase an approved software package for your Angry Crab Shack. The cost of purchasing the POS System and back office computer system necessary to operate the POS System, including the software, ranges from \$16,000-\$20,000. You must also purchase an annual software maintenance contract, the cost of which varies by the

number of POS terminals operating at your Angry Crab Shack, but ranges from \$100 to \$200 per month and a monthly accounting software fee of \$265 payable to our designated provider of online accounting services. The hardware and software that you will need to purchase in conjunction with the POS System includes:

<b>Item</b>
TP8300 Terminal High Performance Workstation
Intel® Celeron® T3500 2.1GHz Dual Core 1MB L2 Cache or Intel® Core™ 2 Duo P8400 2.26GHz 3MB L2 Cache
DDR3 1066 MHz, SO-DIMM socket x2 (2GB Default)
8GB of DDR3 Memory
80W 12V DC Power adaptor
Stringent third party HALT/HASS testing
2.5" SATA 160GB HDD or SSD Kit (optional)
Optional RAID 1
PP8000 Aura Thermal Receipt Printer
POSReady 7 / Win7 Pro / Linux 1

You must obtain credit card and gift card processing services from our designated vendor, which will be the same vendor used by company or affiliate owned locations. The charges associated with credit card and gift card transactions are compiled per transaction and therefore will vary from store to store. We estimate that the costs associated with credit card transactions will be between 1% and 3% of your credit card and gift card generated Net Sales.

You must purchase a computer and connect to the Internet so that you can report your Net Sales online, so that we can communicate by email, so that you can use intranet and internet services, and so that you can receive other electronic information we send. The computer must be a Windows based computer with, at a minimum, a dual core hard drive and 2GB RAM. We will from time to time notify you of any required software. We may require you to upgrade the hardware and software as reasonably necessary to provide reports and information required by us. We require that your computer have internet access to allow emails to be sent to and received from us.

You also must, at your cost, maintain membership in a designated third party network, and maintain an active email account. We may revise our computer specifications. If we do so, we may require you to upgrade or update your computer. There is no contractual limitation on the frequency and cost of this obligation. There may be comparable equivalents on the market for the computer we require, but we have not yet tested or approved any comparable computer; however, we may do so in the future.

We require that you permit us to poll your sales information on a daily basis. We require you to execute an Electronic Funds Transfer Agreement (which is attached to this Disclosure Document as Exhibit E), permitting us to debit your account for payment of: (a) Royalty Fees; (b) Advertising Fund Fees; (c) other amounts payable to us; and (d) product purchases from us or our Affiliates. Section 6(e) Exhibit C: Franchise Agreement)

## **ITEM 12: TERRITORY**

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

### **Franchise Agreement**

Under the Franchise Agreement, we allow you to operate one (1) Angry Crab Shack at the single specific location (The Premises) within the Franchise Territory described in the Franchise Agreement. The Franchise Territory is generally defined as an area that includes a combined total population of approximately 200,000 people. We must approve the Premises of the Angry Crab Shack in advance. You may not enter into any lease or other agreement that imposes restrictions on your (or our) right to operate additional Angry Crab Shacks at any particular location, and we must approve in advance any purchase contract or lease you enter. In addition, you and your Landlord must sign the Franchisor Lease Addendum (See Exhibit G).

Angry Crab Shacks do not offer catalog sales or telemarketing. You may not maintain a website or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with your Angry Crab Shack without our prior written approval.

If no Premises has been designated at the time you sign the Franchise Agreement, your Franchise Agreement will outline a Site Selection Area inside of which you will secure a site for your Angry Crab Shack. The Site Selection Area is non-exclusive, meaning other franchisees of Angry Crab Shack may be looking for sites within the same geographic area at the same time as you. The Site Selection Area will be determined on case-by-case basis considering economic, demographic and geographical information (such as population density). When you have formally secured the Premises, the Site Selection Area becomes null and void and your Franchise Agreement will be updated with the true definition of the territory around the secured address.

During the Opening Deadline Period (which is the one (1) year period following the date that we sign the Franchise Agreement), you must obtain our approval of the site for your Angry Crab Shack and execute a lease or purchase agreement for the approved site or, we, at our option, may terminate the Franchise Agreement. We have the right to move or modify the Site Selection Area during the Opening Deadline Period. Provided that you are in full compliance with the Franchise Agreement, we and our Affiliates will not operate, or license others to operate Angry Crab Shacks in the Site Selection Area during the Opening Deadline Period.

Once we issue a Franchise Agreement to you, you must obtain our approval in advance to relocate or close your Angry Crab Shack for any reason, including condemnation or events outside your control.

### **Development Agreement**

Under the terms of the Development Agreement, we grant you the right to develop three (3) or more Angry Crab Shacks within a specified territory (the "Development Area") during a development period and subject to your compliance with the development schedule. The development area will consist of zip codes including approximately 200,000 people per angry crab shack that you agree to open and operate in the development area. For example, if you agree to open and operate three (3) Angry Crab Shacks, your development area will consist of zip codes including approximately 600,000 people. While the development agreement is in effect, we may not operate, and may not franchise or license any other party the right to operate, any restaurant using the angry crab shack name in the development area. To comply with the terms of the development agreement, you must open the agreed number of Angry Crab Shacks in the development area as detailed in the development schedule.

You and we will determine and agree upon the number of Angry Crab Shacks that you must develop in the Development Area based on the Development Area's population, per person or family income, current and potential development, your financial strength, and certain other related factors. The term of development periods shown in the Development Agreement may vary from franchisee to franchisee. Before signing the Development Agreement, we will give you a written description and/or map of your Development Area and you and we will agree upon a Development Schedule.



You must sign our then current form of franchise agreement in connection with the development of each of your Angry Crab Shacks pursuant to the Development Agreement. The terms of the then-current franchise agreement may differ from the terms of the franchise agreement (including, without limitation, the Royalty Fees and the advertising payments) included with this Franchise Disclosure Document.

If the Development Agreement expires or terminates, but one or more of your Franchise Agreements remains in effect, we may not establish or grant any franchise to a third party for the establishment of an Angry Crab Shack within the Franchise Territory, which will be an area designated by zip codes with a combined total population of approximately 200,000 people.

You cannot develop Angry Crab Shacks outside of your Development Area without our express written consent, which may be withheld in our sole discretion. You have no options, rights of first refusal or similar rights to acquire additional franchises or additional development territories beyond the development rights granted to you in the Development Area.

We generally do not restrict the persons you solicit, or the methods by which you promote the Franchised Business. However, if you utilize any form of direct advertising directed at defined prospective customers, the advertising may be directed only to customers located within your Development Area. We do not limit customers from outside your Development Area from ordering food or products from your Angry Crab Shack restaurant.

Franchisor's affiliate Angry Crab Shack Corporation operates several company owned restaurants. Other than the affiliate owned restaurants identified in this disclosure document, Franchisor does not have any existing plans to operate businesses similar to those being offered in this disclosure document.

Notwithstanding the grant of a Franchise Territory, Site Selection Area or a Development Area, we reserve the right to: (1) operate (and license others to operate) any type of business other than an Angry Crab Shack at any location inside or outside the Site Selection Area, Development Area or Franchise Territory; (2) provide, offer and sell (and license others to provide, offer and sell) products that are identical or similar to and/or competitive with those provided at or from Angry Crab Shacks, whether identified by the Marks or other trademarks or service marks, through dissimilar distribution channels (including, without limitation, the internet or similar electronic media) both inside and outside the Site Selection Area, Development Area or Franchise Territory; (3) operate (and license others to operate) Angry Crab Shacks located anywhere outside the Site Selection Area, Development Area, or Franchise Territory regardless of proximity to the Franchised Business; (4) acquire the assets and/or ownership interests of one or more competing restaurants ("Competing Businesses") and franchising, licensing or creating similar arrangements with respect to these businesses once acquired wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Development Area or Franchise Territory); (5) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a competitor that operates Competing Businesses, or by another business, even if such business operates, franchises and/or licenses Competing Businesses in the Site Selection Area, Development Area and/or Franchise Territory; and (6) create, place, and/or distribute or authorize others to create, place and/or distribute any advertising and promotional materials, which may appear in media, or be received by prospective customers located, within the Development Area or Franchise territory; and (7) open or allow others to open Angry Crab Shacks in Special Locations inside or outside the Site Selection Area, Development Area and/or Franchise Territory. Your rights in the Site Selection Area, Development Area and Franchise Territory does not limit the operation of Angry Crab Shacks that are under construction or in operation in the Site Selection Area, Development Area or Franchise Territory as of the date of the Development Agreement and/or Franchise Agreement. We are not required to compensate you for any sales or orders that we make in connection with the reservations described above.

For purposes of this Disclosure Document, Franchise Agreement and Development Agreement, a "**Special Location**" means an airport, train station, bus terminal, hotel, college, university, hospital, military base,

state and national park, casino, stadium and sports and entertainment venue, as designated by us.

You may not operate the Franchised Business at any location other than the Premises and you may not relocate your Franchised Business without our prior written consent. Our consent may be conditioned upon, among other things your payment of our reasonable charges actually incurred in connection with consideration of the relocation request; your payment of an agreed minimum royalty during the period when the Franchised Business is not in operation; and your relocation of the Franchised Business within 6 months after we approve your relocation request.

There are no minimum sales quotas or other conditions that must be satisfied to maintain your rights in the Site Selection Area, Franchise Territory, or Development Area. While your rights in the Site Selection Area are non-exclusive, we may not modify or terminate your rights in the Site Selection Area, Franchise Territory, or Development Area unless you are in default under the Franchise Agreement. You will not receive an option, right of first refusal or other rights under the Franchise Agreement.


Disputes regarding Site Selection Area, Development Area, and/or Franchise Territory are resolved in a manner consistent with the Dispute Resolution provisions of the Franchise Agreement.

You must obtain our prior approval to relocate your Angry Crab Shack. The approval or rejection by us of any proposed relocation shall be in our sole discretion. In order to relocate your Angry Crab Shack, you must be in compliance with your franchise agreement, your sales must justify a reason to relocate, and we must approve the new location.

In addition, we may market, directly or indirectly, services and/or products (including, without limitation, identical, similar or other services and products) under the Trademarks (or under other trademarks) through channels of distribution other than Angry Crab Shacks, including the Internet. We may also market services and/or products (including, without limitation, identical, similar or other services and products) under the Marks (or under other trademarks) outside of the Franchise Territory or Development Area, as the case may be, and/or market services and/or products (including, without limitation, identical, similar or other services and products) under trademarks other than the Marks within the Development Area.

### ITEM 13: TRADEMARKS

The following trademarks have been registered with the United States Patent and Trademark Office on the Principal register:

Mark	Registration No.	Registration Date	International Class
	4884449	January 12, 2016	43
<b>ANGRY CRAB SHACK (WORDS ONLY)</b>	4912382	March 8, 2016	43

The following trademark applications are pending with the United States Patent and Trademark Office:

None.

All affidavits of use required to be filed to maintain these registrations have been timely filed.

We entered into a Trademark License Agreement with Angry Crab Shack Corporation that grants us the right to utilize the Marks in franchising Angry Crab Shacks (the “**Angry Crab Shack License**”

**Agreement**). The Angry Crab Shack License Agreement has a term of seventy-five (75) years and is automatically extended for any Angry Crab Shack agreement granted by us that have a term beyond the seventy-five (75) year term of the Angry Crab Shack License Agreement. There are no earlier termination rights under the Angry Crab Shack License Agreement.

Except as described above, no agreements limit our right to use or license the use of the Marks. You must follow our rules when you use our Marks. Use of the Marks must be accompanied by the registration, service mark (<sup>SM</sup>), trademark (<sup>TM</sup>) in close proximity to the trademark. You cannot use the Marks as part of your corporate, partnership, Limited Liability Company or other entity name. You may not use our trademarks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. You may not directly or indirectly contest or aid in contesting the validity of the trademarks or the ownership of the trademarks by us, nor may you directly or indirectly apply to register or otherwise seek to use or control our trademarks or any confusingly similar variation or form, nor may you assist any others to do so. You must modify or discontinue the use of a Mark if we modify or discontinue it, at your sole cost.

You must immediately notify us of any apparent infringement of, or challenge to your use of, any of our trademarks, or any claim by any person of any rights in any of our trademarks. You must not communicate with any person other than us and our legal counsel in connection with any such infringement, challenge, or claim. We will have the sole discretion to take such action, as we may deem appropriate to protect our trademarks and the exclusive right to control any litigation, Patent and Trademark Office proceeding, or other proceeding arising out of any such infringement, challenge, or claim or otherwise relating to our trademarks. The Franchise Agreement does not require us to take affirmative action when notified of these uses or claims, but indicates we have the sole discretion to take such action as we may deem appropriate. You must execute such documents, render such assistance, and do such acts and things as may in the opinion of our counsel be necessary or advisable to protect and maintain our interests in connection with any such litigation or proceeding, or to otherwise protect and maintain our interests in our trademarks.

The Franchise Agreement requires that we will indemnify and hold you harmless for, from and against any and all claims, liabilities, causes of action, demands, obligations, costs and expenses, including reasonable attorneys' fees, arising out of any claim of infringement or unfair competition in connection with your use of our trademarks, provided that such use is in accordance with the provisions of the Franchise Agreement.

We may, in our sole discretion, modify or discontinue use of any of the above-referenced trademarks and/or use one or more additional or substitute service marks or trademarks. If we decide to do so, you must do so also, at your own expense. The Franchise Agreement does not provide you any additional rights if we require you to modify or discontinue using a trademark.

We filed a lawsuit against the owners of two restaurants in Chicago, Illinois called "Angry Crab" alleging trademark infringement. The defendants responded by alleging superior trademark rights with respect to "Angry Crab" in the State of Illinois, an allegation that we challenged. That lawsuit was settled pursuant to a settlement agreement dated September 6, 2016. As part of the settlement agreement, the defendants acknowledged our (and our Affiliates) exclusive rights and ownership of the "Angry Crab" Marks throughout the United States in exchange for Franchisor's agreement to not engage in targeted advertising within a defined geographic area within the City of Chicago, Illinois. This restriction does not prohibit us from general advertising that includes Chicago, Illinois. Other than our agreement to not send targeted advertising to the defined geographic area in Chicago, there are no restrictions or limitations on our rights with respect to the Marks.

Except as described above, we do not know of any superior prior rights or infringing uses or effective material determinations of the United States Patent and Trademark Office, Trademark Trial and Appeal Board, trademark administrator of this state or of any court, nor do we know of any pending infringement, opposition or cancellation proceeding that could materially affect your use of our trademark. We do not

know of any pending material federal or state court litigation regarding our use or ownership rights in the above registered trademarks or pending applications.

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

We own proprietary information and rights in numerous items, such as menu formats, advertising designs, processes, techniques, formula for Angry Crab Shack recipes, formulas, and other information contained in the Manuals and related documents. In connection with the operation of the franchise, we may disclose to you certain information in which we claim proprietary rights. In addition, although we have not yet registered the copyright with the U.S. Copyright Office, the Manuals are protected against unauthorized copying under U.S. Copyright laws for 100 years from the date of creation or 75 years from the date of publication, whichever is shorter. You must use the proprietary information only in the manner required by us and in no other manner. This information is strictly confidential and you may not disclose it to any person, or use any of that information for any purpose, except disclosure to a person who has signed and delivered to us a confidentiality agreement, and you may only use this information as necessary in connection with the operation of your Franchised Business. In addition, you must fully and strictly comply with all security measures required by us for maintaining the confidentiality of all information designated by us as trade secrets.

Franchisor does not own or license any patents that are material to Angry Crab Shack restaurants. No agreements limit our right to use or license the use of our statutory copyright of the Manuals.

We do not know of any current material determinations of the United States Patent and Trademark Office, United States Copyright Office, or of any court, nor do we know of any effective determinations or any material proceedings pending in the United States Patent and Trademark Office or of any court regarding the patent application. We do not know of any patent or copyright infringement that could materially affect the franchisee.

If you or your Principals, officers, managers, or employees conceive, invent, create, design and/or develop any ideas, techniques, methods, processes or procedures, recipes, formulae, products, advertising and promotional materials, packaging or other concepts and features relating to store operations, business practices, or the manufacturing, production, marketing or sale of menu items, they will be deemed works-made-for-hire and you or your Principals will be deemed to have assigned all of your or their rights, title and interest in the Innovations, including any intellectual property rights, to us. You and your Principals, officers, managers and employees also must cooperate with us in connection with protecting the Innovations.

You will not have the exclusive right to use our proprietary information, nor will you acquire, by use or otherwise, any right, title or interest in or to the proprietary information other than as expressly contained in, and limited by, the Franchise Agreement. Your right to use our proprietary information is limited and temporary. Upon expiration or termination or abandonment of the Franchise Agreement or your Franchised Business, you may not, directly or indirectly, use our proprietary information in any manner or for any purpose whatsoever.

You must immediately notify us and/or our Affiliates of any conduct that could constitute infringement of or challenge to our proprietary information. We will decide, in our sole discretion, whether to institute any action in connection with infringement of or challenge to our proprietary information, and will control all proceedings and litigation. The Franchise Agreement does not require us to take affirmative action when notified of infringement, but indicates we have the sole discretion to take such action as we may deem appropriate. We are not required to protect your right to use the proprietary information. As indicated in the Franchise Agreement, we will indemnify you for all damages for which you are held liable in any lawsuit arising out of your proper use of our proprietary information in compliance with the Franchise

Agreement. You will be required to provide reasonable assistance to us, at our cost, in connection with our defense of any such claims.

We may, in our sole discretion, modify or discontinue use of our proprietary information and/or use other information and/or rights in its place. If we decide to do so, you must do so at your expense. The Franchise Agreement does not provide you any additional rights if we require you to modify or discontinue use of our proprietary information. However, if we require you to modify or discontinue use of our proprietary information and/or use other information and/or rights in its place at any time other than upon renewal of the Franchise Agreement, and that requirement is a direct result of proceedings or litigation that determined that our and our franchisees' use of the proprietary information infringed upon a third party's rights, we will bear the cost of those modifications or discontinuances.

Each principal of the franchisee shall be bound by the confidentiality and non-competition provisions of this Agreement and shall sign each agreement we require to confirm such obligations. Each manager and employee of franchisee who attends the Training System or who is subsequently trained by the franchisee or its manager is and will be bound by the confidentiality provisions included in the Manuals and shall be required to execute a standard Non-Disclosure Agreement. As a franchisee, you will be required to obtain the signature of your employees on the Employee's Confidentiality Agreement. If you fail to obtain the signature of any employee who learns confidential information, you will be responsible for all costs and expenses incurred by us in enforcing the Employee's Confidentiality Agreement and its terms upon said employees.

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

While the Franchise Agreement does not specifically require you or your Principals to personally participate in the direct operation of the franchise, it is our intention to select as Angry Crab Shack franchisees only those who plan to actively participate in the direct operation and daily affairs of their Angry Crab Shacks. The franchise must be personally managed with "on-premises" supervision and directly operated by you or another partner, shareholder or member of your business organization, or a manager who successfully completed the Training System specified in Section 3 of the Franchise Agreement. Each of your shareholders, partners, or members will be required to sign the Form of Agreement to be Bound and to Guarantee in the form of Exhibit D to this Franchise Disclosure Document. We are not seeking to license you to operate an Angry Crab Shack if your Principals are merely seeking a passive investment. Additionally, you must employ on a full time basis at least one (1) General Manager and one (1) Kitchen Manager for each Angry Crab Shack that you operate. The General Manager and Kitchen Manager of your Angry Crab Shack must be persons who meet our standards and criteria. The General Manager is not required to have any equity interest in your Angry Crab Shack. The identity of the General Manager must be disclosed to us, and if the General Manager changes, you must notify us in writing no later than 15 days following the change. If the General Manager is replaced, the new General Manager must also complete the Training System at your sole cost and expense. Your General Managers and Kitchen Managers must devote his or her entire time during normal business hours to the management, operation and development of your Angry Crab Shack and must maintain the confidentiality of the trade secrets described in Item 14 above, and conform with the covenants not to compete summarized in Item 17 below and Sections 12 and 17 of the Franchise Agreement. Each of your General Managers and Kitchen Managers is required to sign Confidentiality and Non-Disclosure Agreements included in the Confidential Operations Manual.

In the interest of safe and efficient job performance, business operation and public health and safety, you must maintain employees at all times, while working, who are able to read and understand our written materials and communicate with your employees and customers in the English language. The General Manager and Kitchen Manager must also read and understand our written materials and communicate with your employees in the English language. This requirement will not restrict the General Manager, Kitchen

Manager, or your employees from speaking in any other language with you, other employees, or customers, and shall not apply to any employee while on personal time or breaks.

If you are a married individual, your spouse must sign the Consent of Spouse to the Franchise Agreement and Development Agreement. Each person (and his/her spouse), corporation, partnership, limited liability company or other entity that owns, directly or indirectly, a five percent (5%) or greater equity interest in the franchised entity (a “**Principal**”) must sign an agreement, in the form of Exhibit D (the “**Agreement to be Bound and to Guarantee**”), in which he agrees to perform, and guarantees, all of the Franchisee’s obligations to us and our Affiliates (including the obligations under the Franchise Agreement and Development Agreement), and agrees to be bound by the restrictive covenants, the confidentiality provisions, and certain other provisions contained in the Franchise Agreement.

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

We require that your business is solely that of an Angry Crab Shack, and you may not conduct any other business or activity at the site of your Angry Crab Shack without our prior written approval. You must offer the full menu prescribed by us, subject to change from time to time in our sole discretion. We have the right to require you to sell additional authorized products and services from time to time that we believe will be successful. You will be obligated to offer and sell those new products and to participate in all local, regional, seasonal, and promotional programs, initiatives and campaigns adopted by us. We reserve the right to designate which of our franchisees may, or will be required to, participate in new product or service tests, new or modified product or service offerings and other programs and initiatives that we may periodically develop. If we designate you for participation in any such program, initiative or campaign, you must participate when and as required by us. There are no limits on our right to require you to offer and sell those new products or to participate in those programs, initiatives, and campaigns. You may not add any item to your menu unless it is first approved by us in writing. You are prohibited from offering or selling any products or services not authorized or approved by us. You may only use products, materials, ingredients, supplies, paper goods, uniforms, fixtures, furnishings, signs, equipment, POS System, debit and credit card and Gift/Loyalty Card processing service, and methods of product preparation and delivery that meets our designations or requirements as specified in the Manuals.

#### **ITEM 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION THE FRANCHISE RELATIONSHIP**

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

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Section in Development Agreement</b>	<b>Summary</b>
a. Length of the Term of the Franchise	14(a)	9	The initial Term of the Franchise Agreement is ten (10) years.  The Development Agreement will expire on the date that you open the last Angry Crab Shack required by your Development Schedule
b. Renewal or extension of the Term	14(b)	N/A	At the expiration of the Term, and 1 <sup>st</sup> Renewal Term, you may with our approval and consent, which will not be unreasonably withheld, renew the Franchise Agreement for consecutive unlimited five (5) year terms.

Provision	Section in Franchise Agreement	Section in Development Agreement	Summary
			The Development Agreement is not renewable.
c. Requirements for you to renew or extend	14(b)	N/A	At the time of each renewal, Franchisee: must notify Franchisor in writing of his intention to renew at least six months (but not more than 18 months) before the end of each then current Term (Initial or Renewal), and at his expense, remodel and update the Franchised Business to Franchisor's then current standards. In addition, Franchisee must sign the form of franchise agreement then being signed by new franchisees and will be subject to the terms of that franchise agreement, which may include materially different terms and conditions from the original franchise agreement, other than the Term, which will be five (5) years and also must sign a general release of Franchisor and its Affiliates, in the form that Franchisor may require.
d. Termination by you	16(a)	N/A	Upon the material default by Franchisor of one or more provisions of this Franchise Agreement if the Franchisee provides written notice of the default to Franchisor along with no less than sixty (60) days to cure the default. If the default outlined in Franchisee's notice of default cannot be cured within sixty (60) days and Franchisor is making commercially reasonable efforts to cure the default, the cure period shall be extended for an additional thirty (30) days. Franchisee may terminate the franchise agreement under any grounds permitted by law.
e. Termination by us without cause	Not Applicable	Not Applicable	
f. Termination by us with cause	16(b)	9	Franchisee is in material default, and Franchisor may terminate this Agreement and/or seek an injunction, monetary damages, and/or other relief, in Franchisor's sole discretion, upon the occurrence of any "Events of Default," each of which, individually, constitutes "good cause" for termination.  We may terminate the Development Agreement on the date of the last Development Deadline specified in Section 3 of the Development Agreement; the

Provision	Section in Franchise Agreement	Section in Development Agreement	Summary
			insolvency of Franchisee; the breach by Franchisee (or any of his Affiliates) of any of his (or their) obligations under, or related to, this Agreement, any franchise agreement or any other agreement with Franchisor or its Affiliates (and to the extent applicable, the passing of the cure period); or the date on which any franchise agreement previously signed by Franchisee (or any of his Affiliates) and Franchisor, or any other agreement between Franchisee (or any of his Affiliates) and Franchisor (or any of its Affiliates), is terminated.
g. "Cause" defined— defaults that can be cured	16(b)(ii)	n/a	Franchisee is in material default, and Franchisor may terminate this Agreement and/or seek an injunction, monetary damages, and/or other relief, in Franchisor's sole discretion, upon the occurrence of any "Events of Default," each of which, individually, constitutes "good cause" for termination.
h. "Cause" defined— defaults that cannot be cured	16(b)(i)	N/A	Franchisee is in material default, and Franchisor may terminate this Agreement and/or seek an injunction, monetary damages, and/or other relief, in Franchisor's sole discretion, upon the occurrence of any "Events of Default," each of which, individually, constitutes "good cause" for termination.
i. Your obligations on termination/non-renewal	17	N/A	<p>Franchisee must:</p> <ol style="list-style-type: none"> <li>1. promptly return to Franchisor Franchisor's Manuals, all training materials, all recipes and all other property of Franchisor (including all materials relating to the Marks, the Copyrights, the Innovations or the Proprietary Information); Franchisor may enter the Premises of your Angry Crab Shack and recover the Manuals, all training materials, all recipes and all other property of Franchisor (including all materials relating to the Marks, the Copyrights, the Innovations or the Proprietary Information);</li> <li>2. comply with each and every of the covenants that survive termination set forth in Section 12 of this Agreement</li> <li>3. immediately (a) cease using the Marks, the</li> </ol>



Provision	Section in Franchise Agreement	Section in Development Agreement	Summary
			<p>Copyrights, the Innovations and the Proprietary Information, (b) cancel all assumed names or equivalent business registrations relating to the use of the Marks, (c) notify the telephone company and all listing agencies of the termination of Franchisee’s right to use the Marks and, if requested by Franchisor, of Franchisee’s assignment of Franchisee’s telephone numbers to Franchisor, (d) not, directly, or indirectly, identify himself with Franchisor or the Marks and (e) if requested by Franchisor or the Landlord, renovate the premises of your Angry Crab Shack to eliminate the Marks and de-identify such premises to remove all Trade Dress, returning it to a “vanilla shell,” at Franchisee’s expense;</p> <p>4. pay to Franchisor, within 10 days of expiration or termination of this Agreement, all amounts outstanding to Franchisor or its Affiliates from Franchisee or his Affiliates;</p> <p>In addition, Franchisor may, but will not be obligated to, purchase, or have its designee purchase and franchisee shall be obligated to sell to Franchisor: all, or any portion of, Franchisee’s signage and menu boards, equipment and other tangible assets of your Angry Crab Shack for an amount equal to the Value (as defined in the Franchise Agreement).</p> <p>In addition, Franchisor, or its designee, may, but will not be obligated to, pursuant to the Franchisor Lease Addendum, assume Franchisee’s future obligations under the Lease and continue the operations of Franchisee’s Angry Crab Shack in Franchisor’s, or its designee’s, name.</p>
j. Assignment of contract by us	13(a)	13(b)	Franchisor may assign the Franchise Agreement or Development Agreement any of its rights under either agreement, or delegate any of its obligations hereunder without the consent of Franchisee or any other person or may acquire or be acquired by, any company, including competitors, without limitation.

Provision	Section in Franchise Agreement	Section in Development Agreement	Summary
k. "Transfer" by you—definition	13(c)	13(a)	Any transfer of an equity interest in Franchisee or transfer of some or all of the assets of Franchisee, by operation of law or otherwise, and any merger or consolidation of Franchisee (if a corporation, partnership, limited liability company or other entity) will be deemed to be a transfer.
l. Our approval of transfer by franchise owner	13(e)	13(a)	We are willing to allow you to transfer your Angry Crab Shack to a new franchisee if they meet our then current standards for new franchisees and you comply with our requirements for transferring your Angry Crab Shack.
m. Conditions for our approval of transfer	13(e)	13(a)	The prospective Transferee must satisfy our then-current qualifications for franchisees; establish that the financial or other terms of the transfer will not adversely impact upon the Transferee's operation of the Franchised Business; Franchisee (or his Principals, officers, managers or employees) or the Transferee (if he is an existing franchisee of Franchisor) must not be in breach of, or default under this Agreement; payment of a Transfer Fee.
o. Our option to purchase your business	13(e)	N/A	Within 30 days after Franchisor's receipt of all of the Required Materials, Franchisor will notify Franchisee that the Franchisor desires to purchase Franchise rights under this Agreement, upon the same terms and conditions as are offered by the Transferee, the transfer is approved or disapproved, at Franchisor's election.
p. Your death or disability	13(g)	N/A	Franchisee or his/her legal representative must, within 90 days after Franchisee's death, disability, or dissolution of marriage, transfer the Franchised Business to a person or entity approved by Franchisor.
q. Non-competition covenants during the term of the franchise	12(g)	N/A	Franchisee may not, during the term of the Agreement directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a business, restaurant, kiosk, or food truck offering seafood and Cajun style offerings subject to applicable state law.
r. Non-competition covenants after the	12(g)	N/A	Franchisee may not, during the term of the Agreement and for the one-year period after the expiration or termination of this

Provision	Section in Franchise Agreement	Section in Development Agreement	Summary
Franchise Agreement is terminated or expires			Agreement, in a defined geographic area, for any reason, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a business, restaurant, kiosk, or food truck offering seafood and Cajun style offerings subject to applicable state law.
s. Modification of the Agreement	24	14	<p>Franchisor may modify and amend the Manuals and to issue rules, regulations, instructions, policies and procedures for the conduct of Angry Crab Shacks from time to time, in its sole discretion, without obtaining the consent or approval of Franchisee.</p> <p>If Franchisee signs a franchise agreement with Franchisor after the Effective Date of the existing franchise agreement, the terms of the previous agreement will automatically be amended to be consistent with the newer franchise agreement.</p> <p>Other than through the modification and/or amendment of the Manuals, no amendment, modification or waiver of any condition, provision or term of the Franchise Agreement or Development Agreement will be valid or of any effect unless made in a writing.</p>
t. Integration/ merger clause	26	14	Only the terms of the Franchise Agreement or Development Agreement are binding (subject to state law). Any representations or promises outside the Disclosure Document and franchise agreement may not be enforceable. No claim made in any franchise agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	29	19	Any controversy or dispute that arises between the parties related in any way to this Agreement or the relationship between the parties must be submitted to non-binding mediation before an action may be brought in a court of competent jurisdiction or in arbitration (subject to applicable state law)..
v. Choice of forum	29(c)	19(c)	Except as prohibited by state franchise law, litigation must be in jurisdiction where our

Provision	Section in Franchise Agreement	Section in Development Agreement	Summary
			principal offices are located (subject to applicable state law).
w. Choice of law	29(b)	19(b)	Except to the extent governed by the U.S. trademark laws or the franchise laws of any state, Arizona law applies (subject to state law).

### ITEM 18: PUBLIC FIGURES

No public figures are required to be disclosed in its Item.

### 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.

#### UNAUDITED INITIAL INVESTMENT AND NET SALES FOR FIVE (5) AFFILIATE OWNED AND TEN (10) FRANCHISE OWNED ANGRY CRAB SHACKS FOR CALENDAR YEARS 2020, 2021 and 2022

The table below represents the average Net Sales at five (5) affiliate and ten (10) franchise owned Angry Crab Shacks that operated for at least one (1) calendar year as of December 31, 2022.

Location	Franchise or Affiliate Owned	Opening Date	Initial Investment to Open	2020 Net Sales	2021 Net Sales	2022 Net Sales
Mesa	Affiliate	13-Nov	\$291,200	\$5,257,335	\$7,905,473	\$6,541,282
Phoenix	Affiliate	14-Oct	\$346,350	\$4,267,122	\$5,749,338	\$4,646,539
Peoria	Affiliate	15-Oct	\$436,700	\$3,385,632	\$4,222,597	\$4,724,064
Goodyear	Affiliate	16-Feb	\$424,700	\$3,629,484	\$4,580,014	\$4,356,491
East Mesa	Affiliate	16-Nov	\$553,000	\$3,360,221	\$3,682,311	\$3,851,135
North Tucson	Franchise	17-Aug	\$635,220	\$2,645,368	\$4,514,872	\$3,776,008
Norterra	Franchise	19-Jan	\$331,000	\$2,727,599	\$4,542,746	\$4,021,471
East Bell	Franchise	19-May	\$715,500	*	*	\$2,024,143
Yuma	Franchise	19-Aug	\$487,600	\$2,028,436	\$2,662,379	\$2,510,106
Surprise	Franchise	19-Dec	\$506,375	\$2,278,516	\$3,699,268	\$2,984,972
San Tan	Franchise	20-Aug	\$515,200	*	\$2,572,725	\$2,418,648
Henderson	Franchise	21-Jan	\$513,100	*	\$4,409,886	\$3,193,107

Location	Franchise or Affiliate Owned	Opening Date	Initial Investment to Open	2020 Net Sales	2021 Net Sales	2022 Net Sales
Scottsdale	Franchise	21-Oct	434,350	*	*	\$2,055,887
<b>Average Initial Investment</b>			2nd Generation Sites \$526,177			
<b>Median Initial Investment</b>			2nd Generation Sites \$537,600			
Orange Beach	Franchise	20-Feb	*	*	\$2,397,124	\$2,294,379
Laveen	Franchise	20-Dec	\$938,500	*	\$2,765,046	\$2,397,800
<b>Average Initial Investment</b>			1st Generation Sites \$988,500			
<b>Median Initial Investment</b>			1st Generation Sites \$988,500			
<b>Average Net Sales</b>				\$3,286,635	\$4,131,060	\$3,453,069
<b>Median Net Sales</b>				\$3,360,221	\$4,222,597	\$3,193,107

<b>Number of Units that Exceeded Average Net Sales in 2022</b>	7/15 (47%)
<b>Number of Units that Exceeded Median Net Sales in 2022</b>	7/15 (47%)
<b>Number of Units that Exceeded Average Net Sales in 2021</b>	7/13 (54%)
<b>Number of Units that Exceeded Median Net Sales in 2021</b>	7/13 (54%)
<b>Number of Units that Exceeded Average Net Sales in 2020</b>	5/9 (56%)
<b>Number of Units that Exceeded Median Net Sales in 2020</b>	5/9 (56%)

- (1) Opening Date means the month and year that the Angry Crab Shack opened for business.
- (2) "Net Sales" as used in this representation shall mean all sales, money or things of value, received or receivable less applicable sales taxes and any documented refunds, promotional discounts, credits and allowances.
- (3) "Initial Investment to Open" as used in this representation means the actual security deposits, leasehold improvements to building, permits & licenses, construction costs, POS and back office computer, audio/visual expenses, fixtures, equipment, opening inventory (food, liquor, restaurant supplies), signage, miscellaneous opening expenses, grand opening expenses, professional fees, uniforms, training payroll, and 3 months additional funds (\$75,000) incurred in opening that restaurant at the time it was opened. It does not include an initial franchise fee. Franchisees are

obligated to pay an Initial Franchise Fee so it has been included in the Average Initial Investment and Median Initial Investment amounts.

- (4) Many factors, including location, management capabilities, local market conditions, and other factors, are unique to each Angry Crab Shack and may significantly impact your financial performance.
- (5) This financial performance representation does not include (i) sales data for 2020 or 2021 for one (1) Angry Crab Shack that was only opened for a portion of 2020 and 2021 because of COVID-19 and related staffing issues; (ii) sales data for 2020 for three (3) locations that were not opened for all of 2020; (iii) sales data for 2020 for two (2) locations that were not opened at all in 2020; or (iv) sales data for 2021 for one (1) location that was not opened for all of 2021 (Such years are identified with an \*).
- (6) The Net Sales data included in this financial performance representation reflects actual historic Net Sales and is not a projection of future Net Sales.
- (7) Second Generation Sites are restaurant locations where the operator utilized a premises that was previously operated as a restaurant and therefore require less initial investment to open and operate. Most Angry Crab Shacks are opened in second generation locations.
- (8) First Generation Sites are restaurant locations where the operator opened the Angry Crab Shack in a new, undeveloped, vanilla shell location.
- (9) The franchisee for one of our two first generation sites has not provided us with its initial investment to open and therefore that information is not included above or used to calculate the average or median initial investment to open for first generation sites.
- (10) **Some outlets have sold these amounts. Your individual results may differ. There is no assurance that you'll sell as much.**

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**UNAUDITED NET SALES, TOTAL COST OF GOODS SOLD, GROSS PROFIT, OPERATING EXPENSES, AND NET INCOME AS AN AVERAGE PERCENTAGE ON A CONSOLIDATED BASIS FOR FIVE (5) AFFILIATE OWNED AND NINE (9) FRANCHISE OWNED ANGRY CRAB SHACK RESTAURANTS FOR CALEDAR YEAR 2022**

	<b>NET SALES AND EXPENSES ON A CONSOLIDATED BASIS FOR FIVE (5) AFFILIATE OWNED RESTAURANTS</b>	<b>NET SALES AND EXPENSES ON A CONSOLIDATED BASIS FOR NINE (9) FRANCHISE OWNED RESTAURANTS</b>	<b>TOTAL NET SALES AND EXPENSES ON A CONSOLIDATED BASIS FOR FOURTEEN (14) ANGRY CRAB SHACK RESTAURANTS</b>
<b>NET SALES<sup>(1)</sup></b>			
<b>Food Sales</b>	\$22,813,240	\$23,897,438	\$46,710,678
<b>Alcohol Sales</b>	\$1,921,625	\$2,197,037	\$4,118,662
<b>Sales Returns and Discounts</b>	(\$615,355)	(\$712,332)	(\$1,327,687)
<b>TOTAL NET SALES</b>	\$24,119,510	\$25,382,143	\$49,501,653
<b>COST OF GOODS SOLD<sup>(2)</sup></b>			
<b>Food Purchases</b>	\$10,201,411	\$10,857,198	\$21,058,609
<b>Alcohol Purchases</b>	\$382,737	\$506,630	\$888,367
<b>TOTAL COST OF GOODS SOLD</b>	\$10,584,148	\$11,362,828	\$21,946,976
<b>GROSS PROFIT<sup>(3)</sup></b>	\$13,535,362	\$14,019,315	\$27,554,677
<b>Payroll and Related Expenses<sup>(4)</sup></b>	\$5,495,995	\$6,794,577	\$12,290,572
<b>Occupancy Costs<sup>(5)</sup></b>	\$1,314,514	\$2,345,353	\$3,659,867
<b>General Administrative, Marketing and Professional Services</b>	\$281,877	\$316,975	\$598,852
<b>Credit Card Processing and Bank Service Charges</b>	\$509,861	\$578,539	\$1,088,400
<b>Restaurant and Cleaning Supplies</b>	\$922,810	\$1,035,420	\$1,958,230
<b>Insurance</b>	\$105,791	\$148,726	\$254,517
<b>TOTAL OPERATING EXPENSES<sup>(6)</sup></b>	\$8,630,848	\$11,219,590	\$19,850,438
<b>ROYALTIES (Imputed or Actual)<sup>(7)</sup></b>	\$1,205,976	\$1,383,826	\$2,589,802
<b>ADVERTISING FUND FEES (Imputed or Actual)<sup>(8)</sup></b>	\$241,195	\$253,821	\$495,016
<b>EBITDA<sup>(9)</sup></b>	\$3,457,343	\$1,276,797	\$4,734,140
<b>EBITDA %<sup>(10)</sup></b>	<b>14.3%</b>	<b>5.0%</b>	<b>9.6%</b>

<b>Average EBITDA in 2022</b>	\$338,153
<b>Median EBITDA in 2022</b>	\$307,549
<b>Number of Units that Exceeded Average EBITDA in 2022</b>	7/14 (50%)
<b>Number of Units that Exceeded Median EBITDA in 2022</b>	7/14 (50%)

### Explanatory Notes

- (1) Net Sales includes all sales, money or things of value, received or receivable, directly or indirectly, from operation of the included Angry Crab Shack restaurants, less applicable sales taxes and any documented refunds, promotional discounts, credits and allowances given to customers.
- (2) COGS includes food purchases, liquor purchases, beer purchases, and wine purchases.
- (3) Gross Profit is calculated by subtracting COGS from Net Sales.
- (4) Minimum wage in Arizona in 2022 was \$12.80 for non-tipped employees and \$9.80 for tipped employees. Minimum wage laws in your state may be different. You should check with your local attorney regarding the hourly wages you will be required to pay your tipped and non-tipped employees.
- (5) Occupancy Costs include rent, commercial rent tax (where applicable) common area maintenance ("CAM") expenses, repairs and maintenance, and utility expenses. Utility expenses include cable television, electric, gas, grease trap, internet, telephone, trash/recycling, water, and security system expenses.
- (6) Total Operating Expenses includes general and administrative expenses, professional services, marketing and advertising expenses, payroll and related expenses (including salary, wages, overtime, bonuses, and payroll taxes), occupancy costs (including rent, repair and maintenance, and utilities), bank and credit card processing expenses, restaurant and cleaning supplies, and insurance.
- (7) The Affiliate owned locations did not pay Royalty Fees to us in 2022. Imputed Royalties reflects the Royalty Fees that these Angry Crab Shacks would pay if they were franchise owned.
- (8) The Affiliate owned locations did not pay Advertising Fund Fees to us in 2022. Imputed Advertising Fund Fees reflects the Advertising Fund Fees that these Angry Crab Shacks would pay if they were franchise owned.
- (9) "EBITDA" is earnings before interest, taxes, depreciation, and amortization and is calculated by subtracting COGS, Operating Expenses, Royalties, and Advertising Fund Fees from Net Sales on a consolidated basis for each classification of restaurants ((i) Affiliate Owned and (ii) Franchise Owned).
- (10) EBITDA percentage reflects the average percentage of Net Sales for each affiliate owned and franchise owned restaurant that was recognized as profit for the relevant time period.



- (11) Many factors, including location, management capabilities, local market conditions, and other factors, are unique to each Angry Crab Shack and may significantly impact your financial performance.
- (12) The data included in this financial performance representation reflects historic Net Sales and expenses and is not a forecast of future Net Sales or Expenses.
- (13) This financial performance representation does not include data from one (1) Angry Crab Shack franchise restaurant where we believe that we do not have a reasonable basis to include such restaurant's reported expenses.
- (14) Some outlets have earned these amounts. Your individual results may differ. There is no assurance that you'll sell as much.**

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**UNAUDITED DISTRIBUTION OF CERTAIN EXPENSES AND RESULTING EBITDA AS AN AVERAGE PERCENTAGE OF CONSOLIDATED NET SALES FOR FIVE (5) AFFILIATE OWNED AND NINE (9) FRANCHISE OWNED ANGRY CRAB SHACK RESTAURANTS FOR CALENDAR YEAR 2022**

<b>Expense Category</b>	<b>Affiliate Owned Expenses as an Average Percentage of Consolidated Net Sales</b>	<b>Franchise Owned Expenses as an Average Percentage of Consolidated Net Sales</b>	<b>Affiliate and Franchise Owned Expenses as an Average Percentage of Consolidated Net Sales</b>	<b>Notes</b>
<b>Cost of Goods Sold</b>	<b>43.9%</b>	<b>44.8%</b>	<b>44.3%</b>	Includes all food and beverage product purchases for five (5) affiliate owned and nine (9) franchised owned Angry Crab Shacks in 2022.
<b>Payroll and Related Expenses</b>	<b>22.8%</b>	<b>26.8%</b>	<b>24.8%</b>	Includes manager salaries, hourly wages, employment taxes, and fees paid for five (5) affiliate owned and nine (9) franchised owned Angry Crab Shacks in 2022.
<b>Occupancy Costs</b>	<b>5.5%</b>	<b>9.2%</b>	<b>7.4%</b>	Includes rent, applicable common area maintenance fees (CAMs), utilities, and lease or property taxes payable for five (5) affiliate owned and nine (9) franchised owned Angry Crab Shacks in 2022.
<b>Additional Operating Expenses</b>	<b>5.9%</b>	<b>6.4%</b>	<b>6.2%</b>	Includes all paper goods purchases, bank fees and equipment maintenance for five (5) affiliate owned and nine (9) franchised owned Angry Crab Shacks in 2022.
<b>Marketing, Advertising, General and Administrative Expenses</b>	<b>1.6%</b>	<b>1.8%</b>	<b>1.7%</b>	Includes all local and market level marketing, license, permits, insurance, and professional fees for five (5) affiliate owned and nine (9) franchised owned Angry Crab Shacks in 2022.
<b>Royalties and Advertising Fund Fees (Imputed or Actual)</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>	The affiliate owned locations did not pay Royalty and Advertising Fees to us in 2022. Royalties and Advertising reflects the Royalty and Advertising Fees that these Angry Crab Shacks would pay if they were franchise owned.
<b>EBITDA</b>	<b>14.3%</b>	<b>5.0%</b>	<b>9.6%</b>	Earnings before interest, taxes, depreciation, and amortization for five (5) affiliate owned and nine (9) franchised owned Angry Crab Shacks in 2022.

<b>Average EBITDA Percentage in 2022</b>	<b>9.6%</b>
<b>Median EBITDA Percentage in 2022</b>	<b>6.4%</b>
<b>Number of Units that Exceeded Average EBITDA Percentage in 2022</b>	<b>7/14 (50%)</b>

<b>Number of Units that Exceeded Median EBITDA Percentage in 2022</b>
---

7/14 (50%)
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- (1) The Expenses as a Percentage of Consolidated Net Sales above are based upon total Net Sales of \$49,501,653 at five (5) affiliate owned and nine (9) franchised owned Angry Crab Shacks during 2022.
- (2) “Net Sales” as used in this representation shall mean all sales, money or things of value, received or receivable less applicable sales taxes and any documented refunds, promotional discounts, credits and allowances.
- (3) The affiliate owned locations did not pay Royalty and Advertising Fees to us in 2022. Royalties and Advertising Fund Fees percentage reflects the Royalty and Advertising Fees that these Angry Crab Shacks would pay if they were franchise owned.
- (4) Many factors, including location, management capabilities, local market conditions, and other factors, are unique to each Angry Crab Shack and may significantly impact your financial performance.
- (5) This financial performance representation does not include data from one (1) Angry Crab Shack franchise restaurant where we believe that we do not have a reasonable basis to include such restaurant's reported expenses.

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**UNAUDITED DISTRIBUTION OF NET SALES ON A PERCENTAGE BASIS BY SERVICE  
CATEGORY FOR FIVE (5) AFFILIATE OWNED AND NINE (9) FRANCHISE OWNED  
ANGRY CRAB SHACK RESTAURANTS FOR CALENDAR YEAR 2022**

This representation reflects the percentage of Net Sales by category for all of calendar year 2022 at five (5) affiliate owned and nine (9) franchise owned Angry Crab Shack restaurants.

<b>Service Category</b>	<b>Percentage of Net Sales</b>
<b>Food</b>	<b>91.9%</b>
<b>Liquor</b>	<b>4.6%</b>
<b>Beer</b>	<b>3.3%</b>
<b>Wine</b>	<b>.2%</b>
<b>TOTAL</b>	<b>100.0%</b>

(1) The Distribution of Net Sales on a Percentage Basis are based upon total Net Sales of \$49,501,653 at five (5) affiliate owned and nine (9) franchise owned Angry Crab Shacks in Arizona during calendar year 2022.

(2) “Net Sales” as used in this representation shall mean all sales, money or things of value, received or receivable less applicable sales taxes and any documented refunds, promotional discounts, credits and allowances.

(3) This financial performance representation does not include data from one (1) Angry Crab Shack franchise restaurant where we believe that we do not have a reasonable basis to include such restaurant's reported expenses.

(4) We have not audited the financial information in compiling this information.

The financial data included in the financial performance representations above were generated from sales reports provided by company owned and franchisee owned Angry Crab Shack restaurants. If you receive any other financial performance information or projections of your future income, you should report it to the Franchisor’s management by contacting **Andrew Diamond, President** at **2345 South Alma School Road Suite 106, Mesa, Arizona 85210 (480) 398-7099**, 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**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	4	7	+3
	2021	7	10	+3
	2022	10	14	+4
Company-Owned	2020	6	6	0
	2021	6	5	-1
	2022	5	5	0
Total Outlets	2020	10	13	+3
	2021	13	15	+2
	2022	15	19	+4

**TABLE NO. 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For years 2020 to 2022**

State	Year	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	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Arizona	2020	4	2	0	0	0	0	6
	2021	6	2	0	0	0	0	8
	2022	8	3	0	0	0	0	11
Alabama	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Nevada	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
	2022	1	0	0	0	0	0	1
Texas	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Totals	2020	4	3	0	0	0	0	7
	2021	7	3	0	0	0	0	10
	2022	10	4	0	0	0	0	14

**TABLE NO. 4**  
**Status of Affiliate owned Outlets**  
**For years 2020 to 2022**

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8
State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Arizona	2020	6	0	0	0	0	6
	2021	6	0	0	0	1	5
	2022	5	0	0	0	0	5
Totals	2020	6	0	0	0	0	6
	2021	6	0	0	0	1	5
	2022	5	0	0	0	0	5

**TABLE NO. 5**  
**Projected Openings as of December 31, 2022**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets In The Next Fiscal Year
Arizona	2	1
Florida	1	2
Georgia	2	3
Illinois	0	0
New Mexico	0	1
Texas	1	3
Utah	1	1
Washington	1	1
Total	8	12

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

In some instances, current and former franchisees may be required to sign provisions restricting their ability to speak openly about their experience with the Angry Crab Shack system. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

If you are purchasing a company-owned outlet from one of our Affiliates that was previously owned by a franchisee but is now owned and operated by our affiliate, or us we will provide you with an addendum to this Disclosure Document disclosing additional information for that outlet.

There are no trademark-specific franchisee organizations associated with the franchise system being offered under this Disclosure Document that have been created, sponsored, or endorsed by us.

**Franchisees as of 12/31/2022**

State	Franchise Location	Contact	Phone Number	Email
AL	Orange Beach	Greg Philpot	(850) 226-1060	gphilpot64@yahoo.com
AL	Orange Beach	Bill Luebbert	(504) 415-5460	bill@rooftech-no.com
AZ	Bell East	Josh Arnold	(602) 403-0439	j.arnold@angrycrabshack.com
AZ	Casa Grande	William Gardner	(602) 910-0348	w.gardner@angrycrabshack.com
AZ	Chandler	Collins Appiah	(480) 729-0938	c_appiah74@yahoo.com
AZ	Laveen	Jason Novak	(520) 661-0823	j.novak@angrycrabshack.com
AZ	Laveen	Kalen Rickard	(602) 820-8725	krickard@w-retail.com
AZ	Maricopa	Collins Appiah	(480) 729-0938	c_appiah74@yahoo.com
AZ	Phoenix (Norterra)	William Gardner	(602) 910-0348	w.gardner@angrycrabshack.com
AZ	San Tan Valley	William Gardner	(602) 910-0348	w.gardner@angrycrabshack.com
AZ	Scottsdale	Michael Thiede	(480) 276-8080	mjtmailbox@gmail.com
AZ	Surprise	Josh Arnold	(602) 403-0439	j.arnold@angrycrabshack.com
AZ	Tucson	Matthew Prentice	(480) 330-4005	matchew4@gmail.com
AZ	Yuma	Ramsay Lord	(602) 653-6979	r.lord@angrycrabshack.com
AZ	Yuma	Jason Beck	(480) 322-5255	j.beck@angrycrabshack.com
FL	West Palm	Earl Sarver	(561) 598-3807	bigroccospizza@gmail.com
GA	Atlanta	Mia Scott	(678) 829-2008	msscott@msscottassociates.com
GA	Atlanta	Darlene Morris	(202) 294-2809	morrismath@hotmail.com
GA	Atlanta	Greg Brown	(678) 428-9896	ggreggbrown@yahoo.com
GA	Atlanta	Dena Brown	(770) 330-5729	dm21_brown@yahoo.com
NV	Henderson	Rick Lopez	(702) 812-0744	angrycrabshack.henderson@gmail.com
NV	Henderson	Dana Lopez	(702) 809-7251	danadane73@hotmail.com
TX	Arlington	Deric Sheriff	(817) 909-7251	deric2079@att.net
TX	Houston	Robin Harris	(281) 773-3362	robinharris@usa.com
TX	Houston	Darrell Harris	(832) 524-2443	darrell.harris@usa.com
TX	Houston	Sheral Lavergne		cookielavergne@usa.com
UT	Salt Lake City	James Bo	(801) 946-9590	zamesbo@yahoo.com
WA	Everett	James Masse	(202) 207-6917	doc_jym@yahoo.com
WA	Everett	Karen Masse	(202) 701-8089	karenmae.masse@yahoo.com
UK	London	Xiaoyong Li	44-7366226666	cambridgeyong@gmail.com

**Franchisees who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year; or that have not communicated with the franchisor within 10 weeks of the disclosure document issuance date.**

IL	Oak Lawn	Nas Zaidan	(708) 262-0474	zaidan45@yahoo.com
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### **ITEM 21: FINANCIAL STATEMENTS**

Attached to this Disclosure Document as Exhibit J are audited financial statements for Angry Crab Franchise, LLC as of December 31, 2020, December 31, 2021 and December 31, 2022.

### **ITEM 22: CONTRACTS**

The following agreements and other required exhibits are attached to this Disclosure Document in the pages immediately following and identified as Exhibits:

<b>Exhibit</b>	<b>Agreement</b>
C	Franchise Agreement
D	Agreement to Be Bound and to Guarantee
E	Preauthorization to Permit Franchisor to Draw Drafts on the Franchisee's Account
F	General Release
G	Franchisor Lease Addendum
I	State Specific Addenda
K	Development Agreement
N	Receipt Page

### **ITEM 23: RECEIPTS**

Exhibit N to this Disclosure Document is a detachable receipt. You are to keep one copy and return the other copy to us.

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**Exhibit A to Franchise Disclosure Document  
Directory of State Agencies and Administrators**

Federal Franchise Regulators  
Federal Trade Commission  
Division of Marketing Practices  
Seventh and Pennsylvania Avenues, N.W., Room 238  
Washington, DC 20580  
202-326-2970

**List of State Administrators**

**CALIFORNIA:**  
Department of Financial Protection  
and Innovation  
1-866-275-2677  
Los Angeles  
320 West 4th Street, Suite 750  
Los Angeles, CA 90013-2344  
(213) 576-7500

Sacramento  
1515 K Street, Suite 200  
Sacramento, CA 95814-4052  
(916) 445-7205

San Diego  
1350 Front Street, Room 2034  
San Diego, CA 92101-3697  
(619) 525-4233

San Francisco  
One Sansome Street, Suite 600  
San Francisco, CA 94104  
(415) 972-8559

**HAWAII:**  
Commissioner of Securities  
Department of Commerce and  
Consumer Affairs  
Business Registration Division  
Securities Compliance Branch  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813  
(808) 586-2722

**ILLINOIS:**  
Illinois Attorney General  
500 South Second Street  
Springfield, IL 62706  
(217) 782-4465

**INDIANA:**  
Securities Commissioner  
Securities Division, Room E-111  
302 West Washington Street  
Indianapolis, IN 46204  
(317) 232-6681

**MARYLAND:**  
Office of the Attorney General,  
Division of Securities  
200 St. Paul Place  
Baltimore, MD 21202-2020  
(410) 576-6360

**MICHIGAN:**  
Kathryn Barron  
Franchise Administrator Antitrust  
and Franchise Unit  
Consumer Protection Division  
Department of Attorney General  
670 Law Building  
525 W. Ottawa Street  
Lansing, MI 48913  
(517) 373-7117

**MINNESOTA:**  
Commissioner  
Department of Commerce  
85 7th Place East, Suite #280  
St. Paul, MN 55101  
(651) 539-1600

**NEW YORK:**  
NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21st Fl  
New York, NY 10005  
212-416-8285

**NORTH DAKOTA:**  
North Dakota Securities Department  
State Capitol, 5th Floor  
600 East Boulevard Avenue  
Bismarck, ND 58505-0510  
(701) 328-2910

**OREGON:**  
Div. of Finance & Corp. Securities  
(608) 266-8557  
Department of Consumer & Business  
Services, Room 410  
350 Winter Street, NE  
Salem, OR 97301-3881  
(503) 378-4140

**RHODE ISLAND:**  
Department of Business Regulation  
Securities Division  
Bldg. 69, First Floor  
John O. Pasture Center  
1511 Pontiac Avenue  
Cranston, Rhode Island 02920  
(401) 462-9585

**SOUTH DAKOTA:**  
Franchise Administrator  
Division of Insurance  
Securities Regulation  
124 South Euclid, Suite 104  
Pierre, SD 57501  
(605) 773-3563

**VIRGINIA:**  
State Corporation Commission  
Division of Securities &  
Retail Franchising  
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Department of Financial Institutions  
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**Exhibit B to Franchise Disclosure Document  
Franchisor's Agent for Service of Process**

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**MICHIGAN**

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**MINNESOTA**

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**NORTH DAKOTA**

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Director of Department of Business Regulation  
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**SOUTH DAKOTA**

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Director, Securities Division  
Department of Financial Institutions  
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Tumwater, WA 98501

**WISCONSIN**

Wisconsin Commissioner of Securities  
Department of Financial Institutions, 4th Floor  
345 W. Washington Avenue  
Madison, WI 53703

**Exhibit C to Franchise Disclosure Document  
Franchise Agreement**

**FRANCHISE AGREEMENT**

**DATED** \_\_\_\_\_, \_\_\_\_\_

**STORE NO.** \_\_\_\_\_

# ANGRY CRAB SHACK FRANCHISE AGREEMENT

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Exhibit 1- Consent of Spouse

Exhibit 2- Site Selection Area/Franchise Territory

## FRANCHISE AGREEMENT

This **FRANCHISE AGREEMENT** (“**Agreement**”), dated as of the date stated on the last page of this Agreement (the “**Effective Date**”), by and between **ANGRY CRAB FRANCHISE, LLC**, an Arizona Limited Liability Company (“**Franchisor**”), whose principal business address is 2345 South Alma School Road Suite 106, Mesa, Arizona 85210 and the franchisee identified on the last page of this Agreement (“**Franchisee**”), whose address, phone number are identified on the last page of this Agreement.

### RECITALS

A. Franchisor, under the Marks (as defined below), has, as a result of significant time, effort, and money, originated a comprehensive system for the development, preparation and sale of unique seafood and Cajun style offerings as well as other authorized food and beverages and related appetizers and desserts on a take-out or eat-in basis, in a friendly environment (each location is identified as an “Angry Crab Shack”);

B. Franchisor owns certain intellectual property, including trademarks, service marks (the “**Marks**”), trade secrets, recipes and other confidential and proprietary information, processes, materials and rights relating to the development, promotion and operation of the Angry Crab Shack (the “**Proprietary Information**”);

C. Franchisor has developed a program, including the **Proprietary Information**, for conducting and operating Angry Crab Shacks under the Marks (the “**System**”);

D. Franchisee desires to obtain a franchise from Franchisor for the right to use the System for operating an Angry Crab Shack, and to obtain the benefits and knowledge of the System (the “**Franchise**”);

E. Subject to Franchisee’s compliance with the terms of this Franchise Agreement, Franchisor is willing to grant a Franchise to Franchisee; and

F. Both Franchisor and Franchisee recognize and agree that the restrictions and controls on Franchisee’s operations contained in this Agreement are intended to protect the rights to the Marks and the System and to fulfill Franchisor’s obligation to other franchisees to maintain a high quality of products and services provided under the Marks and System.

### AGREEMENT

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements contained in this Agreement, and for other good and valuable consideration, the parties agree as follows:

**1. Grant of Franchise.** Subject to and in accordance with the terms of this Agreement, Franchisor grants to Franchisee, and Franchisee accepts a Franchise for the right to operate one (1) Angry Crab Shack, with the non-exclusive right to use, solely in connection with the Angry Crab Shack, the Marks, the System, and the **Proprietary Information**. Franchisee must conduct the Angry Crab Shack under the Marks in a manner consistent with this Agreement, the **Confidential Operations Manual**, the **Confidential Restaurant Launch Manual** (collectively the “**Manuals**”) and as otherwise directed by Franchisor.

**2. Location of the Angry Crab Shack.**

(a) Franchisee must operate the Angry Crab Shack at the location in the Franchise Territory selected by Franchisee identified in **Exhibit 2** and approved by Franchisor (the “**Premises**”), which approval will not be unreasonably withheld.

(b) Franchisee will be granted a territory (the “Franchise Territory”) designated by zip codes that will generally include an area with a combined total population of approximately 200,000 people. Subject to Section 2(f), as long as you are in full compliance with the Franchise Agreement, the Development Agreement, and any other franchise agreement or development agreement between you and your Affiliates, on one hand and Franchisor and its Affiliates, on the other, we and our Affiliates will not operate, or license others to operate Angry Crab Shack branded restaurants in the Franchise Territory.

(c) If you have not identified and we have not approved a Premises (as such term is defined and limited by the Franchise Agreement) for the Angry Crab Shack when you sign the Franchise Agreement, then you must, within one (1) year after we sign the Franchise Agreement (“Opening Deadline Period”), obtain our approval of a Premises for your Angry Crab Shack within the Site Selection Area, execute a lease or purchase agreement for the approved site, and open the Angry Crab Shack for business. Once the Premises is secured, the Franchise Territory will be established and will include the zip codes identified on Exhibit 2 to this Agreement. Once a Premises has been selected, your rights in the Site Selection Area will terminate and your rights will be limited to the Franchise Territory.

(d) Franchisee acknowledges that Franchisor presently intends to develop Angry Crab Shacks (including licensed, franchised and company-owned Angry Crab Shacks) throughout the United States and internationally and that one or more future Angry Crab Shacks (including licensed, franchised and company-owned Angry Crab Shacks) may have an adverse effect on the revenues and profitability of existing Angry Crab Shacks, including Franchisee’s Angry Crab Shack. Franchisee further acknowledges that Franchisor has not made any representation or agreement, or provided Franchisee any assurances that future Angry Crab Shacks (including licensed, franchised and company-owned Angry Crab Shacks) will not adversely affect the revenues and profitability of Franchisee’s Angry Crab Shack.

(e) Franchisee may not market his Angry Crab Shack or use the Marks on the Internet without Franchisor’s prior authorization and then only in the manner prescribed by Franchisor.

(f) Notwithstanding anything contained in this Agreement to the contrary, Franchisor (for itself and its Affiliates and designees) retains all rights with respect to Angry Crab Shacks, the Marks, the System, all Proprietary Information, all copyrights and copyrighted materials and the sale of Angry Crab Shack products or other related products anywhere in the world, including the right to: (1) operate (and license others to operate) any type of business other than an Angry Crab Shack at any location inside or outside the Franchise Territory; (2) provide, offer and sell (and license others to provide, offer and sell) products that are identical or similar to and/or competitive with those provided at or from Angry Crab Shacks, whether identified by the Marks or other trademarks or service marks, through dissimilar distribution channels (including, without limitation, the Internet or similar electronic media) both inside and outside the Franchise Territory; (3) operate (and license others to operate) Angry Crab Shacks located anywhere outside the Franchise Territory regardless of proximity to Franchisee’s Angry Crab Shack; (4) acquire the assets and/or ownership interests of one or more competing restaurants (“Competing Businesses”) and franchising, licensing or creating similar arrangements with respect to these businesses once acquired wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Franchise Territory); (5) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a competitor that operates Competing Businesses, or by another business, even if such business operates, franchises and/or licenses Competing Businesses in the Franchise Territory; and (6) create, place, and/or distribute or authorize others to create, place and/or distribute any advertising and promotional materials, which may appear in media, or be received by prospective customers located within the Franchise Territory; and (7) open or allow others to open Angry Crab Shacks in Special Locations inside or outside the Franchise Territory.

(g) Your rights in the Franchise Territory does not limit the operation of Angry Crab Shacks that are under construction or in operation in the Franchise Territory as of the Effective Date of this Agreement.

(h) For purposes of this Agreement, a “Special Location” means an airport, train station, bus terminal, hotel, college, university, hospital, military base, state or national park, casino, stadium or sports and entertainment venue, as designated by us.

(i) The definition of a “Competing Business” is provided in Section 12(f)(iv).

### **3. Training System.**

(a) Franchisee (or, if Franchisee is a corporation, partnership, limited liability company or other entity, a Principal) and his managers must attend the training provided by Franchisor (the "Training System"). (If more than one person signs this Agreement, both or all must satisfactorily complete the Training System.) The cost of attendance at the Training System (excluding Franchisee’s expenses, such as travel, lodging and meal expenditures in connection with attending Training System, which will be borne by Franchisee) for Franchisee (or a Principal) and two (2) additional people is included in the Initial Franchise Fee (as defined below). Unless otherwise approved by us, the two additional people must be your General Manager and your Kitchen Manager. However, unless Franchisor determines otherwise, Franchisee will not be entitled to attend the Training System at Franchisor’s expense with respect to Franchisee’s (or his Affiliates’) second and subsequent franchise agreements, in connection with a relocation, or in connection with a Majority-owned Transfer (as defined below), at Franchisor’s expense.

(b) Training for more than three (3) people will be provided by Franchisor if Franchisor’s policies require more than three (3) people to be trained or if Franchisee requests that additional people be trained (and Franchisor agrees to do so). The cost for additional training is \$1,500 per person (excluding Franchisee’s expenses, such as travel, lodging and meal expenditures in connection with attending Training System, which will be borne by Franchisee). Training of any additional people may be held at the same time as training of the initial three (3) people, at Franchisor’s election.

(c) Franchisee acknowledges that the Training System will include both classroom and “on-the-job” training, as stated in the Disclosure Document and that Franchisee may be tested and will be evaluated upon, among other things, the results of such tests, whether Franchisee is competent, in Franchisor’s sole judgment, in performing the skills necessary to operate the Angry Crab Shack, whether Franchisee can speak English fluently, whether Franchisee has an aptitude for the operation of the Angry Crab Shack, whether Franchisee is, in Franchisor’s sole judgment, a good fit within the Angry Crab Shack System and whether Franchisee’s operation of the Angry Crab Shack may, in Franchisor’s sole judgment, adversely affect the goodwill or reputation of Franchisor, its products, or the Marks.

(d) If Franchisor determines, in its sole judgment, that Franchisee (or, if Franchisee is a corporation, partnership, limited liability company or other entity, its Principals) has not performed satisfactorily on the Training System exams, that Franchisee is not competent in performing the skills necessary to operate the Angry Crab Shack, cannot speak English fluently, does not have an aptitude for the operation of the Angry Crab Shack, or has otherwise failed to satisfactorily complete the Training System, Franchisor may terminate this Agreement, in which event Franchisee must return to Franchisor all materials delivered to him in connection with the Franchise. If the Franchise Agreement is terminated pursuant to this Section 3(d), the Initial Franchise Fee will not be refunded to Franchisee.

(e) Franchisor may, in its sole discretion, require or permit Franchisee to attend all or certain portions of the Training System again, at Franchisee’s expense (\$1,500 per person (excluding Franchisee’s expenses, such as travel, lodging and meal expenditures in connection with attending Training System, which will be borne by Franchisee)).

(f) The individuals participating in the Training System on behalf of Franchisee will not be deemed to be employees of Franchisor or of the owner of any store in which those individuals participate

in the Training System, but will be deemed to be employees of Franchisee during all aspects of the Training System.

(g) The Training System may be modified or amended from time to time.

(h) Franchisor may establish additional training programs or refresher courses, which Franchisee will attend, at his expense. Franchisor may impose a charge or fee for Franchisee's failure to attend such programs and courses.

#### 4. Consulting Services.

(a) **Telephone.** Franchisor will consult with Franchisee by telephone, Monday through Friday 8:00 a.m. to 5:00 p.m. (Phoenix, Arizona time), with respect to all aspects of starting and operating the Angry Crab Shack. Franchisor may, in its sole discretion, and depending upon the geographic proximity between Franchisee and Franchisor, if Franchisor's time permits, provide on-site consultation at Franchisee's request at Franchisor's then-current hourly rate (including consultation and travel time), plus travel, lodging and meal expenditures, at times agreed upon between Franchisee and Franchisor.

(b) **On-Site.** Franchisor will provide on-site consultation to you on an as needed basis if you request such assistance from us and pay the fees and expenses ("On-Site Consultation Fees"), in advance, associated with our consultation to you. The On-Site Consultation Fee is currently \$250 per day plus our actual travel and living expenses.

(c) **Assignment.** Franchisor may assign some or all of its obligations to Franchisee under this Agreement to third parties provided that such third parties agree, in writing, to comply with the obligations provided herein.

(d) **Opening Assistance.** We will provide one of our representatives to come to your Angry Crab Shack during opening week for up to 5 days, at our expense, to work with you and/or your manager on opening, operating, and marketing your Angry Crab Shack. You may request that our representative assist you for a longer period of time, but you will be required to pay us On-Site Consultation Fees for additional time that our representative spends assisting you in opening your Angry Crab Shack.

#### 5. Opening Deadline.

(a) Franchisee may engage a real estate broker approved by Franchisor to assist Franchisee in selecting a site and negotiating the letter of intent.

(b) Franchisor will, within 30 days after it receives notice of Franchisee's selection of a site within the Development Area that Franchisee chooses for the Angry Crab Shack, and the Additional Materials (as defined below), review and approve, or deny approval of, a proposed site for Franchisee's Angry Crab Shack. Franchisor will consider the potential customer base, the rental costs, competition, traffic patterns, population density and composition, visibility, drive times, trade areas, proximity to other Angry Crab Shacks and other business factors of the site in determining whether to grant its approval of the site. Franchisor will not unreasonably withhold its approval of the site.

(c) Franchisor will, within 30 days after it receives a copy of the proposed site lease (the "**Lease**") for the site Franchisee chooses for the Angry Crab Shack, review and approve, or deny approval of the Lease, in its sole discretion. Franchisor may require the Lease to contain appropriate provisions, including the permitted uses of the Premises and the right to permit Franchisor to assume the Lease in the event of Franchisee's breach of or default under the Lease or upon the termination of this Agreement, and may require other revisions to the Lease. Franchisee agrees that a reasonable condition of Franchisor's



consent is the Landlord's execution of the Franchisor Lease Addendum (Exhibit G) in a form acceptable to Franchisor.

(d) Franchisee must provide to Franchisor (a) such other documentation and information regarding the proposed site and the proposed Lease that Franchisor may, in its sole discretion, require and (b) current financial statements and such other financial documentation and information regarding Franchisee's (and its Principals') financial condition, that Franchisor may, in its sole discretion, require. (All of those materials are referred to as the Additional Materials as defined in Section 5(c)). It is understood and agreed that if Franchisor determines, in its sole discretion, that Franchisee does not have the financial capacity to perform his obligations with respect to the site or the Lease, then Franchisor may deny approval of the site and/or Lease. It is also understood and agreed that that disapproval would be reasonable. In that event, Franchisor (or its Affiliates) may operate an Angry Crab Shack at that site or may permit another franchisee to do so. It is further understood that Franchisor may forward the Additional Materials to the property owner, landlord, or property manager ("**Landlord**") involved with the Lease.

(e) **Relocation.** Any relocation of Franchisee's Angry Crab Shack must be for a legitimate business reason, will be subject to the other provisions of this Section 5 and will be subject to a \$5,000 relocation fee (the "Relocation Fee"), payable upon Franchisor's approval of Franchisee's request for relocation. Any relocation of Franchisee's Angry Crab Shack will be subject to Franchisor's approval, which may be granted or withheld, in Franchisor's sole discretion. In addition, Franchisee will be subject to the same requirements regarding his site, the Lease, and the related fees as are applicable to the initial site of the Angry Crab Shack.

(f) For purposes of this Agreement, the term "Additional Materials" shall mean site plans, demographic information, similar Lease information, and other information requested by Franchisor upon receipt of notice pursuant to Section 5(d)

## **6. Conduct of Your Angry Crab Shack.**

(a) **Manuals.** Franchisor will lend to Franchisee, or make available to Franchisee via electronic means, upon satisfactory completion of the Training System, one copy of the Manuals for use by Franchisee strictly in accordance with the terms of this Agreement during the term of this Agreement. Franchisee must operate his Angry Crab Shack in accordance with the Manuals, as amended from time to time, which is incorporated into this Agreement by this reference. If there is any disparity between Franchisor's copy of the Manuals and Franchisee's copy, Franchisor's copy will govern.

(b) **Franchisor Standards.** Franchisee must operate the Angry Crab Shack strictly in accordance with the rules, regulations, instructions, policies, and procedures as Franchisor may issue from time to time (the "Standards") for the operation of the Angry Crab Shack, which includes but is not limited to the Manuals.

### **(c) Required Products.**

(i) Franchisee must offer and sell at the Premises of the Angry Crab Shack all products and services designated by Franchisor, consistent with Franchisor's Standards. In addition, Franchisee must incorporate into the Angry Crab Shack all new recipes, products, and services designated by Franchisor and must fully participate in all local, regional, seasonal, promotional, and other programs, initiatives and campaigns adopted by Franchisor.

(ii) Franchisee must not offer or sell any products or services at or from the Premises of the Angry Crab Shack, or conduct any other business at or from the Premises of the Angry Crab Shack, unless Franchisor specifically approves the offering and sale of those products or services, which approval may be withheld by Franchisor, in its sole discretion. In addition, Franchisee may not offer or sell any

products or services in any configuration, form, or manner (including items for resale) other than that specifically approved by Franchisor.

(iii) Franchisor reserves the right to designate, in its sole discretion, which of its franchisees may, or will be required to, participate in new product or service tests, new or modified product or service offerings and other programs, initiatives and campaigns that Franchisor may develop from time-to-time. If Franchisor designates Franchisee for participation in any such test, offering, program, initiative or campaign, Franchisee must participate when and as required by Franchisor.

(iv) Franchisee must maintain at all times a sufficient supply of all Goods and Materials to meet the demand of Franchisee's customers.

(d) **Approved and Designated Suppliers.** We have developed and may continue to develop certain proprietary or branded products, including branded food products, recipes, beverages, drinks, and other food products that will be prepared, distributed, and supplied by or for us or our Affiliates according to our proprietary designs, recipes, and menus (collectively "Proprietary Products"). We also have developed standards and specifications for other products, materials and supplies incorporated or used in providing services and the packaging and delivery of products authorized for sale in Angry Crab Shacks. You agree that you will: (a) purchase those Proprietary Products only from us or a third party designated and licensed by us to prepare and sell such products (collectively "Designated Suppliers"); and (b) purchase from manufacturers, distributors, vendors and suppliers approved by us (collectively "Approved Suppliers") all other food products, beverages, spirits, small wares, paper goods, and supplies (collectively "Goods"), as well as equipment, furniture, fixtures, tables, chairs, menus, clothing and related supplies associated with operating an Angry Crab Shack (collectively "Materials") that meet the standards and specifications promulgated by us from time to time. We have the right to require that you use only certain brands (collectively "Approved Brands") and to prohibit you from using other brands. We may from time to time modify the list of Approved Brands (including food and beverage products), and you will not, after receipt of such modification in writing, reorder any brand that is no longer an approved brand.

(i) We may from time to time modify the list of Designated Suppliers and/or Approved Suppliers, and you must not, after receipt of such modification in writing, order any Proprietary Products from a supplier who is no longer a Designated Supplier or order any Goods or Materials from a supplier who is no longer an Approved Supplier. We may approve one or more suppliers for any Goods or Materials and may approve a supplier only as to certain Goods or Materials. We reserve the right to charge Designated Suppliers a license fee for the right to manufacture Proprietary Products for use in Angry Crab Shacks.

(ii) From time to time, we and our Affiliates may receive payments from suppliers (including Designated Suppliers and Approved Suppliers) on account of such suppliers' dealings with you and other franchisees, and may use any amounts received without restriction and for any purpose we and our Affiliates deem appropriate. We may concentrate purchases with one or more suppliers to obtain lower prices and/or the best advertising support and/or services for any group of Angry Crab Shacks or any other group of businesses franchised or operated by us or our Affiliates. Approval of a supplier may be conditioned on requirements relating to the product quality, prices, consistency, reliability, financial capability, labor relations, frequency of delivery, reporting capabilities, standards of service, including prompt attention to complaints, or other criteria, and concentration of purchases, as set forth above, and may be temporary pending a further evaluation of such supplier by us.

(iii) If you propose to purchase any Goods or Materials (that you are not required to purchase from us, an Affiliate of ours, or a Designated Supplier) from a supplier that we have not previously approved, you must submit to us a written request for such approval, or request the supplier to do so itself. We have the right to require, as a condition of our approval, that our representatives be permitted to inspect the supplier's facilities, and that such information, specifications, and samples as we reasonably designate

be delivered to us and/or to an independent, certified laboratory designated by us for testing prior to granting approval. A charge not to exceed the reasonable cost of the inspection and the actual cost of the inspection and testing must be paid by you. We will notify you within 60 days of your request as to whether you are authorized to purchase such products from that supplier. We reserve the right, at our option, to re-inspect the facilities and products of any such Approved Supplier and to revoke our approval upon the suppliers' failure to continue to meet any of the foregoing criteria.

(iv) You must, at all times, maintain an inventory of approved Goods and Materials sufficient in quality and variety to realize the full potential of the Angry Crab Shack. We may conduct market research and testing to determine consumer trends and the salability of new products and services. You agree to cooperate in these efforts by participating in our customer surveys and market research programs if requested by us. All customer surveys and market research programs will be at our sole cost and expense or charged to the Ad Fund unless such survey or program has been approved by you and you have approved its proportionate cost. You must not test any new product or service without first being requested to by us and signing a test letter agreement in a form satisfactory to us.

(v) You must utilize Approved Suppliers of music at your Angry Crab Shack. Our Approved Supplier(s) may require you to enter into a license agreement with them and pay them a fee granting you the right to play approved music selections at the Angry Crab Shack. Additional ASCAP, BMI or SESAC licenses may also be required.

(vi) We and our Affiliates disclaim all express or implied warranties concerning any Goods, Materials, or services, including, without limitation, any warranties as to merchantability, fitness for a particular purpose, availability, quality, pricing or profitability. You acknowledge that we and our Affiliates may, under appropriate circumstances, receive fees, commissions, rebates, Royalty Fees, or other consideration from suppliers based on sales to you and we may use any amounts received without restriction and for any purpose we and our Affiliates deem appropriate. We may charge non-Approved Suppliers reasonable testing or inspection fees.

(e) **Technology System.** You agree to purchase from us, or an Approved Supplier and use the computer, point of sale ("POS"), computers, and telephone systems (collectively the "Technology System") we specify, which includes such data processing equipment, computer hardware and software, intranet (FranConnect) and required dedicated telephone and power lines, 24-hour telephone navigation system with voice messaging capabilities; high speed Internet and/or communications connections, modems, printers and other computer-related accessory or peripheral equipment as we specify in the Manuals or otherwise. All of the foregoing must be able to provide that information to us, in that format/medium, as we reasonably may specify from time to time. You must provide all assistance required by us to bring the Technology System on-line with the computer system or Website, intranet or extranet sites designated by us and maintained by us or our Affiliates. You agree that we have the free and unfettered right to retrieve any data and information from your Technology System as we, in our sole discretion, deem appropriate, including electronically polling the sales and other data of your Angry Crab Shack. You must maintain and use an Angry Crab Shack email address that we assign to you.

(i) You acknowledge that computer systems are designed to accommodate a finite amount of data and operate with certain performance parameters, and that, as these limits are reached, or as technology or software is developed in the future, we may, in our sole discretion, mandate that you (at your expense): (a) add memory, accessories or peripheral equipment or additional, new or substitute software to the original Technology System purchased by you; and (b) replace or upgrade any element of the Technology System with a larger system capable of assuming and discharging the computer-related tasks and functions specified by us. You acknowledge that computer designs and functions change periodically and that we may desire to make substantial modifications to our Technology Systems or to require installation of entirely different systems during the term of this Agreement. Within 60 days after you receive notice from us, you agree to obtain and install the new or updated components that we designate.

If we install these components for you, you must pay our then-current installation fees and any travel, living and other expenses incurred by our personnel.

(ii) We will offer or provide you, at your expense, a third party, to offer limited help desk to support you with your Technology System at your Angry Crab Shack. Although we cannot estimate the future costs of maintaining or upgrading the computer or required service or support, and these costs might not be fully amortizable over the remaining term of this Agreement, you agree to incur the costs of maintaining the computer hardware, software, and/or communications capabilities comprising the Technology System (or additions and modifications) and any required service or support. We or our Affiliates may perform repair services for the Technology System or retain a third-party provider to provide some or all of the service and support for the Technology System for your benefit or the benefit of all Angry Crab Shacks and you may pay a service or ASP hosting fee. We have no obligation to reimburse you for the Technology System or any other system costs that you incur.

(iii) You agree that we or our Affiliates may condition any license of proprietary software to you, or your use of technology that we or our Affiliates develop or maintain, on your signing a software license agreement or similar document that we or our Affiliates prescribe to regulate your use of, and our and your respective rights and responsibilities with respect to, the software or technology. We and our Affiliates may charge you a monthly or other fee for any proprietary software or technology that we or our Affiliates license to you and for other maintenance and support services that we or our Affiliates provide during the term of this Agreement.

(iv) You must obtain: (a) a monthly license agreement with our approved provider of accounting software; (b) a monthly maintenance service contract regarding the Technology System with our Approved Supplier of such services; and (c) an integrated business management solution with FranConnect. You must use and maintain the Technology System according to our Standards. You will have sole and complete responsibility for: (1) the acquisition, operation, maintenance, and upgrading of the Technology System; (2) the manner in which your Technology System interfaces with our and any third party's computer system; and (3) any and all consequences if the Technology System is not properly operated, maintained, and upgraded. You may not install any software (including, but not limited to, virus and spam filters and firewalls) other than authorized upgrades, or make any hardware modifications to the Technology System without our express written consent. The rates for required software licenses are subject to change and must be paid as required by such providers. Payments may be collected in advance.

(v) To ensure full operational efficiency and communication capability between our computers and your computer, you agree, at your expense, to keep your computer in good maintenance and repair and to make additions, changes, modifications, substitutions and replacements to your computer hardware, software, telephone and power lines and other computer-related facilities as directed by us, and on the dates and within the times specified by us in our sole discretion. Upon termination or expiration of this Agreement, all computer software, disks, tapes and other magnetic storage media must be returned to us in good operating condition, excepting normal wear and tear.

(f) **Non-Cash Payment Systems.** You must accept debit cards, credit cards, stored value, loyalty cards, gift cards or other non-cash payment systems specified by us or as set forth in the Manuals to enable customers to purchase authorized products and services and must obtain all necessary hardware and/or software used in connection with these non-cash payment systems. We reserve the right to modify the payment systems that you are required to use including digital payment systems and other systems not yet in existence. You must participate in and honor the terms of any discount, loyalty, or promotional program (including gift card, loyalty, and discount programs that are applicable to the Angry Crab Shack System as a whole, specific markets or certain Angry Crab Shacks only), that we offer to the public on your behalf and shall be responsible for the fees payable in conjunction with the operation of these programs. You agree that you will take all action necessary (including the supply to us of all information and the purchase of any supplies, equipment, or services) to participate in any discount or promotional programs.

(g) **Integrity and Business Standards.** Franchisee must operate the Angry Crab Shack with the highest integrity and good business standards, and must use his best efforts to enhance, to the satisfaction of Franchisor, the goodwill associated with the Marks and must not disparage to any person, Franchisor, its employees, representatives or agents, its products, or the Marks.

(h) **Specifications.** Franchisee must cause the Angry Crab Shack Premises to be constructed, equipped, and decorated in strict compliance with Franchisor's requirements and in accordance with Franchisee's plans and specifications, as have been approved by Franchisor. If these requirements, plans, and specifications are not followed or if changes were not approved in writing by Franchisor prior to being implemented, Franchisee may not open the Angry Crab Shack to the public. Franchisee must engage licensed contractors and architects, who are subject to Franchisor's approval, obtain appropriate construction documents, and all mechanical, plumbing, electrical and architectural plans must be sealed and stamped, as Franchisor may require, even if the local government does not require such measures.

(i) **Design Consistency.** Franchisee must cause the Angry Crab Shack to be consistent in color, design and style with the standards adopted and approved by Franchisor from time to time. Franchisee must maintain the appearance and atmosphere of the Angry Crab Shack, and the equipment and Premises used in connection with the Angry Crab Shack, in accordance with the standards that Franchisor may adopt from time to time. If Franchisor so requests, Franchisee, at his expense, must remodel and update the Angry Crab Shack to Franchisor's then current standards; provided, however, that no such remodeling or updating requirement will be imposed more frequently than every 60 months. Any variations in color, design, style, appearance, or atmosphere must be approved in writing by Franchisor.

(j) **Uniforms.** All personnel employed by Franchisee in connection with the Angry Crab Shack must wear a uniform or other clothing approved by Franchisor.

(k) **On-Site Management.** Franchisee's Angry Crab Shack must be: (a) personally supervised by Franchisee, or if Franchisee is an entity, a Principal of Franchisee selected by Franchisee who has satisfactorily completed Franchisor's Training System (the "Supervising Principal"); or (b) directly supervised "on-premises" by a General Manager who has been approved by Franchisor and who has satisfactorily completed Franchisor's Training System, unless Franchisor has waived that requirement. If supervised by a General Manager, the General Manager must spend at least 40 hours per week on the Premises of the Angry Crab Shack overseeing the operation of the Angry Crab Shack. The name of the Supervising Principal or General Manager who will supervise the Angry Crab Shack is identified on the signature page of this Agreement. Any changes must be approved by Franchisor.

(l) **Required Hours.** Franchisee must keep the Angry Crab Shack open to the public seven (7) days per week and at least 70 hours per week (all of those requirements are referred to as the "Required Hours"). The Required Hours may be waived by Franchisor, in its sole discretion. In addition, Franchisee must keep the Angry Crab Shack open during the hours of operation posted on or about the Angry Crab Shack Premises or otherwise advertised to the public (the "Posted Hours"). If Franchisee fails to keep the Angry Crab Shack open during the Required Hours or the Posted Hours, Franchisee must pay Franchisor \$100 per day that Franchisee is not open as required or posted.

(m) **Inspections.** Franchisor may evaluate and inspect the Premises of the Angry Crab Shack (including public and private areas), at all times, with or without prior notice to Franchisee, to verify compliance with the terms and conditions of this Agreement, to confirm whether the quality of service and products is being maintained to Franchisor's satisfaction and for any other purpose related to this Agreement and the relationship between the parties. If Franchisor believes, in good faith, that any Materials, ingredients, products, supplies, Goods, uniforms, fixtures, signs, furnishing and/or equipment on the Premises of the Angry Crab Shack do not comply with Franchisor's requirements or standards, Franchisor may remove, at no expense to Franchisor, those items. If those items do not comply with Franchisor's requirements or standards, Franchisor may retain or discard those items, at no expense to Franchisor.

Franchisor may photograph or videotape any part of the Premises of the Angry Crab Shack, whether or not Franchisee is present. Franchisee will permit Franchisor and its representatives access to the Premises, and will cooperate with Franchisor in any such evaluation or inspection. At Franchisor's request, Franchisee will purchase and install a video surveillance system to which Franchisor will have remote access to verify compliance with the terms and conditions of this Agreement, to confirm whether the quality of service and products is being maintained to Franchisor's satisfaction and for any other purpose related to this Agreement and the relationship between the parties.

(n) **Communication with Employees and Vendors.** Franchisee hereby consents to Franchisor's (and its representatives' and agents') meetings, communications, and solicitations and authorizes his employees, suppliers, vendors, lenders, equipment lessors and customers to provide Franchisor any information and/or documents that Franchisor may request, in its sole discretion. Franchisee expressly waives all rights that Franchisee may have in connection with the disclosure of that information and those documents to Franchisor and its representatives and agents, and the use of that information by Franchisor or its representatives or agents. Franchisee will promptly execute such documents, and take such other and further actions, as Franchisor may request to confirm or effectuate Franchisor's rights pursuant to this Section 6(n).

(o) **Pricing.** As a service to Franchisee and other franchisees of Franchisor, Franchisor may, but is not obligated to, utilize its experience and the data obtained from its franchisees to establish and maintain a suggested schedule of prices for products and services at Angry Crab Shack restaurants. In addition, Franchisor may, to the extent permitted by law, establish minimum and maximum prices for products and services at the Angry Crab Shack and Franchisee will be required to comply with that pricing schedule.

(p) **Cooperative Advertising.** Franchisee must participate in the cooperative advertising association in his marketing area, as designated by Franchisor, in its sole discretion. Franchisor may change, dissolve or merge any of the cooperative advertising associations. The franchisees within each marketing area will administer the cooperative advertising associations, which may assess a fee for administration or advertising.

(q) **Grand Opening.** In connection with the grand opening of the Angry Crab Shack, Franchisee must conduct a grand opening marketing and advertising campaign in accordance with a plan approved by Franchisor prior to the grand opening. Franchisee shall be required to spend at least \$5,000 on their Grand Opening.

(r) **Licenses and Permits.** Franchisee must obtain and maintain all licenses and permits required to be held by Franchisee in connection with the operation of the Angry Crab Shack. Franchisee must comply with all applicable federal, state and local laws, regulations, rules and ordinances in connection with the conduct of the Angry Crab Shack, including health, safety, sanitation, employment, environmental and taxation laws, regulations, rules and ordinances. Franchisee must give Franchisor written notice of Franchisee's receipt of an unsatisfactory or failing health department inspection report within three days after Franchisee's receipt of that report.

(s) **Debts.** Franchisee must pay when due all debts and obligations incurred by Franchisee in connection with the conduct of the Angry Crab Shack, including all applicable tax liabilities.

(t) **Insurance.** Franchisee must obtain and maintain during the term of this Agreement, such insurance policies as Franchisor may require, in its sole discretion, as designated in the Manuals. **These insurance policies must name Franchisor (and any other Affiliates, members, officers, employees, and directors of Franchisor that it may reasonably require) and the Landlord as additional insureds.** The insurance must be placed with an insurance carrier or carriers satisfactory to Franchisor, must be satisfactory in form to Franchisor, and may not be subject to cancellation or any material change except

after 30 days' prior written notice to Franchisor. The insurance policies must provide that no failure of Franchisee to comply with any term, condition or provision of the contract, or other conduct by Franchisee, will void or otherwise affect the protection afforded to Franchisor (or other Affiliates of Franchisor that it may reasonably require) under the policy. Certificates of insurance with respect to these insurance policies must be provided to Franchisor with respect to all insurance policies in effect during the term of this Agreement, promptly after the issuance of the insurance policies and as may be requested by Franchisor. If Franchisee sustains a loss by reason of fire, flood, or other casualty of a type typically covered by insurance, and such casualty is caused wholly or partially by Franchisor's (or its Affiliates') acts or omissions, Franchisee must look solely to the proceeds of Franchisee's insurance policy for reimbursement of the loss, and neither Franchisee nor any insurance carrier may recover damages against Franchisor (or its Affiliates) by way of direct action, subrogation, assignment of claims or otherwise. Franchisee waives all such rights of recovery by Franchisee, any insurance carrier or other person, and agrees to notify each insurance carrier of this provision. If Franchisee fails to pay any premium when due or any policy is in default, Franchisor may, but will not be obligated to, pay any premium and/or take any action necessary to cure the default. In this event, Franchisee must immediately pay to Franchisor the amount so paid by Franchisor or the amount expended by Franchisor to cure such default, plus interest at the rate of 1.5% per month from the date paid or expended by Franchisor.

(u) **Meetings and Conferences.** Franchisee (or the Principal(s) of Franchisee if Franchisee is an entity) must attend, at his expense, all meetings, conferences, and conference calls of franchisees that Franchisor determines are mandatory for all franchisees, or groups of franchisees (as designated by Franchisor), such as franchisees within a particular geographic region. Franchisor may impose a charge or fee for Franchisee's failure to attend such meetings and conference calls. Franchisor may withdraw the charge or fee for such meetings and conferences directly from Franchisee's bank account prior to the meeting in a manner consistent with Franchisor's policies and procedures.

(v) **License to Use Name, Likeness and Voice.** Franchisor will be entitled to use the name, likeness and voice of Franchisee and its Principals, officers, managers, and employees for purposes of promoting the Franchise, Franchisor and its products, including all photos and audio and video recordings of Franchisee and its Principals, officers, managers and employees, and Franchisee hereby irrevocably consents thereto. Franchisee acknowledges that Franchisor will own all right, title and interest, to the extent allowed by law, in all rights of integrity, disclosure and publication and any other rights that may be known as or referred to as "moral rights," "artist's rights," "publicity rights" or the like associated with such photos and audio and video recordings, and assigns and transfers unto Franchisor the full and exclusive right, title, and interest to such publicity rights. At Franchisor's request, Franchisee will obtain from any or all of its Principals, officers, managers, and employees written consent, in such form as Franchisor may request.

(w) **Risk Management.** Franchisee must implement all procedures recommended by Franchisor to minimize employee theft, food safety, injuries, and losses. Franchisee acknowledges and agrees that employee theft will not relieve Franchisee of his obligation to make all payments to Franchisor based upon Net Sales.

## **7. Marks; Proprietary Information.**

(a) For purposes of this Agreement, the term "**Marks**" includes all trade names, trademarks, service marks, logos, product identifiers, selections and/or designations, including all registrations and applications for the same owned by Franchisor or used in connection with Angry Crab Shacks and also the trade dress used in connection with Angry Crab Shacks, including the total appearance, atmosphere and image of Angry Crab Shacks, the products and packaging, all related features such as size, texture, shape, color or color combinations, and graphics of Angry Crab Shacks and the products and packaging, and all advertising and marketing techniques used to promote the Angry Crab Shack, as well as all signage, menus, menu boards, product displays, all product configurations all product packaging including any containers, boxes, cups or other packages for seafood and Cajun style offerings, any color schemes and designs utilized

in connection with the Angry Crab Shacks' interior walls, counters, table tops, chairs, and floors ("**Trade Dress**"). Use of any Marks must be accompanied by the registration, service mark, trademark or other symbol, as designated by Franchisor, in close proximity to the Marks. Franchisee must refrain from any business or advertising practice that may be injurious to the business of Franchisor, the goodwill associated with the Marks or the Angry Crab Shack.

(b) Any reproduction of any items or materials suitable for copyright protection by Franchisor (the "**Copyrights**"), including the copyrightable materials within the Proprietary Information, must bear a copyright notice in the form designated by Franchisor. All advertising and promotional materials generated by or for Franchisee or its officers, managers, or employees will be subject to Franchisor's prior approval, will be completely factual and will conform to the highest standards of ethical advertising. Further, all such advertising and promotional materials generated by or for Franchisee or its Principals, officers, managers, or employees for the Angry Crab Shack will be deemed a work-made-for-hire, and all ownership rights, including any copyrights, in such advertising and promotional materials are hereby assigned by Franchisee to Franchisor. In addition, Franchisee will require all of its Principals, officers, managers and employees to sign an agreement obligating its Principals, officers, managers and employees to assign all of their rights, title and interest to the Copyrights to Franchisor and requiring its Principals, officers, managers and employees to cooperate in the protecting the Copyrights.

(c) During the term of this Agreement, Franchisee and its Principals, officers, managers and employees may conceive, invent, create, design and/or develop various ideas, techniques, methods, processes and procedures, recipes, formulae, products, packaging or other concepts and features relating to store operations, business practices or the manufacturing, production, marketing and sale of food items including seafood and Cajun style offerings and related beverages, appetizers and desserts, complementary food items and beverages or other similar products added to Franchisor's menu and related goods in connection with the Angry Crab Shack (the "**Innovations**"). Franchisee assigns all of its rights, title, and interest in the Innovations, including any intellectual property rights, to Franchisor, and agrees to cooperate with Franchisor and its counsel in the protection of the Innovations, including the perfecting of title thereto. In addition, Franchisee will require all of its Principals, officers, managers, and employees to sign an agreement obligating its Principals, officers, managers, and employees to assign all of their rights, title and interest to the Innovations to Franchisor and requiring its Principals, officers, managers and employees to cooperate in the protecting and perfecting of title in the Innovations for Franchisor.

(d) Franchisee will not have the exclusive right to use the Marks, the Copyrights, the Innovations, or the Proprietary Information. Franchisee may not offer or grant any sublicense or other rights to use the Marks, the Copyrights, the Innovations or the Proprietary Information to any person or entity. Franchisee acknowledges and agrees that Franchisor maintains and reserves all rights to the Marks, the Copyrights, the Innovations, and the Proprietary Information except as expressly described in this Agreement. Franchisee further acknowledges and agrees that his right to use the Marks, the Copyrights, the Innovations and the Proprietary Information is derived solely from this Agreement and that Franchisee will not derive any right, title or interest in the Marks, the Copyrights, the Innovations, or the Proprietary Information other than a license to use the Marks, the Copyrights, the Innovations, and the Proprietary Information in connection with the conduct of the Angry Crab Shack during the term of this Agreement. Upon expiration or termination of this Agreement, Franchisee may not, directly or indirectly, use the Marks, the Copyrights, the Innovations or the Proprietary Information in any manner or for any purpose whatsoever. Franchisee agrees that he will not in any way infringe upon, harm, or contest the rights of Franchisor or any other person or other entity to use of the Marks, the Copyrights, the Innovations and the Proprietary Information. Franchisee further acknowledges that his use of the Marks, the Copyrights, the Innovations and the Proprietary Information pursuant to this Agreement will inure to the benefit of Franchisor and the System and that any goodwill arising from Franchisee's use will automatically vest in Franchisor.



(e) During the term of this Agreement, Franchisee may not include the name “Angry Crab” or “Angry Crab Shack” or “Crab Shack” or any substantially similar name in his corporate, partnership, limited liability company or other entity name. However, Franchisee may include the Marks in any advertising or marketing materials approved by Franchisor for distribution. Franchisee must use the Marks, the Copyrights, the Innovations, and the Proprietary Information only in the manner prescribed by Franchisor and in no other manner.

(f) Franchisee must immediately notify Franchisor of any conduct that could constitute infringement of or challenge to the Marks, the Copyrights, the Innovations, or the Proprietary Information. Franchisor may, in its sole discretion, institute any action in connection with infringement of or challenge to the Marks, the Copyrights, the Innovations or the Proprietary Information, and will control all proceedings and litigation. Franchisor is not required to protect Franchisee’s right to use the Marks, the Copyrights, the Innovations, or the Proprietary Information; provided, however, that Franchisor will indemnify Franchisee for, from and against all damages for which Franchisee is held liable in any lawsuit arising out of Franchisee’s use of the Marks, the Copyrights, the Innovations, or the Proprietary Information in compliance with this Agreement.

(g) Notwithstanding anything contained in this Agreement to the contrary, if it becomes advisable at any time, in Franchisor’s sole discretion, to modify or discontinue use of any Mark, Copyright, Innovation, or Proprietary Information, or use one or more additional or substitute Marks, Copyrights, Innovations, and/or Proprietary Information and/or other information and/or rights, Franchisee must, at his expense, comply within a reasonable time after notice thereof by Franchisor.

(h) Franchisee must not solicit other franchisees or use the lists of franchisees for any commercial or other purpose other than purposes directly related to the operation of their Angry Crab Shacks without the prior approval of Franchisor. Franchisee will cause its Principals, officers, managers, and employees to comply with such restrictions.

(i) Upon any breach by Franchisee of any of the terms of this Section 7, Franchisor may institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Agreement and to pursue any other remedy to which Franchisor may be entitled. Franchisee agrees that the rights conveyed by this Agreement are of a unique and special nature and that Franchisor’s remedy at law for any breach would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding which may be brought to enforce any provision of this Section 7, without the necessity of posting bond therefor or proof of actual damages.

## **8. Franchise Fee; Royalty Fees; Advertising Fund Fees. In consideration of the grant of the Franchise by Franchisor to Franchisee:**

(a) **Initial Franchise Fee.** The initial franchise fee (“**Initial Franchise Fee**”) for your first Angry Crab Shack is \$50,000. The Initial Franchise Fee for your second and each subsequent Angry Crab Shack is \$45,000. The Initial Franchise Fee will be \$40,000 for each Angry Crab Shack if you are a veteran of the United States military (having been honorably discharged from the U.S. armed forces) or a current or former firefighter or police officer. **The Initial Franchise Fee is non-refundable.**

(i) If Franchisee executed this Agreement in connection with a transfer, Franchisee will not be required to pay the Initial Franchise Fee. However, Franchisee or his transferor will be required to pay the Transfer Fee contemplated by the transferor’s franchise agreement, prior to or simultaneously with the execution of this Agreement.

(ii) If Franchisee executed this Agreement in connection with a renewal, Franchisee will not be required to pay the Initial Franchise Fee. However, Franchisee will be required to pay the

renewal fee contemplated by Franchisee's controlling prior franchise agreement, prior to or simultaneously with the execution of this Agreement and the term of this Agreement will be amended as provided in that Agreement.

(iii) If Franchisee executed this Agreement in connection with a relocation of the Angry Crab Shack, Franchisee will not be required to pay the Initial Franchise Fee but will be required to pay the Relocation Fee.

(iv) The Initial Franchise Fee is payable by certified or cashiers' check and is due in full upon your signing the Franchise Agreement. The Initial Franchise Fee is not a deposit and is not refundable under any circumstances.

(b) **Royalty Fees.** Franchisee must pay to Franchisor Royalty Fees ("**Royalty Fees**") in an amount equal to 5% of your Net Sales during each Calendar Week.

(c) "**Net Sales**" as used in this Agreement shall mean all sales, money or things of value, received or receivable, directly or indirectly, by Franchisee on account of or in connection with the operation of the Angry Crab Shack plus the proceeds received or realized by Franchisee in connection with any business interruption insurance maintained by Franchisee for Franchisee's benefit; less (A) applicable sales taxes; (B) any documented refunds, promotional discounts, credits or allowances given by you to customers or employees in accordance with the Manuals; (C) proceeds from the sale (but not from the redemption) of authorized gift cards to customers; (D) the incidental sale of furnishings, fixtures, equipment or supplies that Franchisee has used to operate the Angry Crab Shack in the ordinary course; (E) contributions made to approved charities pursuant to marketing programs approved by Franchisor; (F) proceeds from the sale of meals to employees at a discount. For the sake of clarity, Net Sales shall include the amount of any gift card redeemed by a customer to purchase food or beverages at Franchisee's Angry Crab Shack(s).

(d) **Advertising Fund Fees.** Franchisee shall pay Franchisor a monthly Advertising Fund Fee ("**Ad Fund Fee**") up to two percent (2%) of your Net Sales during each Calendar Week. The current Ad Fund Fee is 1% of Net Sales but this may be amended up to 2% of Net Sales upon thirty (30) days written notice to you. We will collect your Ad Fund Fee at the same time and in the same manner that we collect your Royalty Fees. Information concerning the standards and process for approval for local store marketing is described in the Manuals.

(i) Ad Fund Fees collected from Franchisee and other franchisees will be used by Franchisor for expenditures (the "**Ad Fund**") that, in Franchisor's sole discretion, promote, enhance or further the Angry Crab Shack brand or System, including promotional, marketing, public relations and advertising expenses, hiring marketing, public relations and advertising agencies and personnel to assist in developing the Angry Crab Shack brand name and increasing Angry Crab Shack average unit volumes, expenses associated with listings in online directories, subsidies of premiere/marquee Angry Crab Shacks designed to garner media attention and promote the Angry Crab Shack brand name, search engine optimization ("**SEO**") of our website(s) and related internet sites, travel expenses in connection with promotions and market meetings, training, development of trademarks and trademarked materials, production of circulars and media, advertisements, coupons and promotional materials (including point of purchase materials).

(ii) Any amounts in the Ad Fund not spent during the fiscal year during which they were collected will be used during the following (or, if a deficit exists, prior) fiscal years; any amounts expended for advertising purposes in excess of the amount in the Ad Fund during any fiscal year (together with amounts not expended during prior fiscal years) will be debited from the following years' or the prior years' Ad Fund. Any amounts in the Ad Fund not spent during the fiscal year during which they were collected may be used by Franchisor for other purposes on a short-term basis if that use does not impair the

availability of those amounts for advertising purposes. An accounting of the use of Ad Fund Fees collected from franchisees during each calendar year will be made available to Franchisee annually within a reasonable period of time after Franchisee's request.

(e) **Weekly Royalty and Advertising Fund Fee Payments.** Royalty Fees and Ad Fund Fees will be due and payable on each Wednesday with respect to Net Sales during the previous week (ending Sunday) (each a "**Calendar Week**"). For purposes of calculating Royalty Fees and Ad Fund Fees, a week shall be Monday through Sunday. Royalty Fees, Ad Fund Fees, and any other fees or charges payable to Franchisor or its Affiliates that are not paid within 10 days after their due date will bear interest at the rate of 1.5% per month.

(f) **Authorization to Draw Drafts against Franchisee's Bank Account.**

(i) Franchisee authorizes Franchisor to draw drafts against Franchisee's bank accounts for the full amount of the Royalty Fees, Ad Fund Fees, and for any other amounts that Franchisee owes to Franchisor or its Affiliates or Franchisee's cooperative advertising association (for example, for promotional materials). Simultaneously with signing this Agreement, Franchisee must sign a pre-authorization form, in the form attached as Exhibit E to the Disclosure Document, to enable Franchisor to do so. In addition, from time to time at Franchisor's reasonable request, Franchisee must sign those other and further documents as Franchisor may require enabling Franchisor to draw drafts against Franchisee's bank accounts for such purposes.

(ii) If Franchisee fails to provide Franchisor any necessary information or documentation with respect to Franchisor's practice of drawing drafts against Franchisee's bank accounts, Franchisee must pay Franchisor a fee of \$100 per week that that failure continues.

(g) **Reports.** If Franchisee fails to submit to Franchisor by 5:00 p.m. (Phoenix, Arizona time) on Monday of each week, an operating statement, in the form specified by Franchisor, which includes Net Sales figures for the prior Calendar Week, as required by Section 9(a), the amount drawn against Franchisee's bank account, pursuant to Section 8(e), for the Royalty Fees and Ad Fund Fees with respect to the prior week will be the amount drawn the previous week plus 20%, as an estimate of the prior week's Royalty Fees and Ad Fund Fees, and Franchisee may be assessed a \$100 late charge per delinquent operating statement per week, or part thereof (until each delinquent operating statement has been delivered), which amount may be increased by Franchisor from time to time.

(h) **Taxes.** Franchisee must pay to Franchisor an amount equal to any sales, gross receipts or similar taxes assessed against, or payable, by Franchisor and calculated on the Initial Franchise Fee, Royalty Fees, Ad Fund Fees, equipment and signage purchases or other payments required to be paid pursuant to this Agreement, unless the tax is an income tax or an optional alternative to an income tax otherwise payable by Franchisor. Such amount will be due and payable within 10 days after receipt of Franchisor's invoice.

(i) If Franchisee fails to deliver or provide to Franchisor any statement, report or other document or information required to be delivered (for example, certificates of insurance and financial statements), by the applicable deadline, Franchisee will be assessed a \$100 late charge per delinquent statement, document or other information per week, or part thereof (until each delinquent statement, document or other information has been delivered or provided), which amount may be increased by Franchisor from time to time.

**9. Financial Matters; Reporting; Evaluations; Audits.**

(a) Franchisee must submit to Franchisor in the English language the periodic reports as Franchisor may require, in the form and manner designated by Franchisor; in addition to financial information, statements and reports that Franchisor may require, in its sole discretion, from time to time, in

the format that Franchisor may require, in its sole discretion. Franchisor may require that any such financial statements be compiled, reviewed or audited, at Franchisee's expense. Franchisee must maintain his books and records in the English language and in an orderly fashion, utilizing the software programs designated by Franchisor, and in accordance with standard accounting procedures. Franchisee must maintain such books and records as are required by law and such books and records as Franchisor may require, in its sole discretion, including employee timecards; all of those books and records must be in the English language. All books and records maintained by Franchisee relating to the Angry Crab Shack must be retained by Franchisee during the term of this Agreement and for the seven-year period following the expiration or termination of this Agreement. Franchisor may disclose to any person (including any lender to, or equipment lessor of, Franchisee) or use for any purpose, any financial or other information regarding Franchisee in Franchisor's possession, without obtaining Franchisee's consent.

(b) Franchisor may inspect, or cause its agents or representatives to inspect, at any time, Franchisee's account statements and other books and records with respect to the Angry Crab Shack, including Franchisee's federal and state tax returns, sales and use tax returns, customer records and financial accounts. Franchisee must maintain his books and records with respect to the Angry Crab Shack on the Premises of the Angry Crab Shack or such other place as is approved in writing by Franchisor. If Franchisee's books and records are maintained at a place other than on the Premises of the Angry Crab Shack, at the request of Franchisor, or its agents or representatives, Franchisee must, by 4:00 p.m. (local time) on the day upon which such request is made, deliver its books and records (and/or accurate and complete copies thereof, at Franchisor's option) to Franchisor, or its agents or representatives, at the Angry Crab Shack or provide Franchisor, or its agents or representatives, access to Franchisee's account statements and other books and records (and/or accurate and complete copies thereof, at Franchisor's option) at the place at which they are maintained. Franchisee must assist and cooperate with Franchisor in establishing and maintaining Franchisor's POS system, which provides Franchisor with independent access to the information and data generated by Franchisee's electronic cash register or computer system, including, at Franchisee's expense, acquiring any necessary hardware or software and setting the system to automatically transmit data and information designated by Franchisor to Franchisor. All POS data generated by the Angry Crab Shack will be the property of Franchisor.

(c) Franchisor may audit, or cause its agents or representatives to audit, Franchisee's books and records with respect to the Angry Crab Shack. Franchisee must provide Franchisor and its representatives and agents access to Franchisee's books and records with respect to the Angry Crab Shack, and must cooperate with the conduct of any audit. Franchisor will pay all costs and expenses in connection with any audit unless the audit reveals that Franchisee has underreported his Net Sales, or underpaid his Royalty Fees or Ad Fund Fees during the audited period. In this event, Franchisee must promptly pay, or reimburse Franchisor for, all costs and expenses in connection with the audit (including reasonable attorneys' fees and costs), and must pay Franchisor the amount of the underpayment, plus interest at the rate of 1.5% per month on the amount of the underpayment from the respective due date of each underpayment.

(d) Upon request, Franchisee must, at its expense, promptly provide Franchisor in the English language, copies of Franchisee's books and records requested by Franchisor (including Franchisee's charter documents, evidence of equity ownership and any agreements among its Principals.)

**10. Guarantee of Franchisee's Obligations.** If Franchisee is a corporation, partnership, limited liability company or other entity, Franchisee must deliver to Franchisor, simultaneously with signing this Agreement, an Agreement to be Bound and to Guarantee signed by each person (and his or her spouse) or entity owning, directly or indirectly, a five percent (5%) or greater equity interest in Franchisee (for example, the general partners or the shareholders) (collectively, "Principals"), in the form of Exhibit D to the Disclosure Document, pursuant to which the Principals agree to perform, and guarantee, Franchisee's obligations to Franchisor and its Affiliates and agree to be bound by the restrictive covenants and the confidentiality and certain other provisions contained in this Agreement.

**11. Indemnification.** Franchisee must protect, defend and indemnify Franchisor, its Affiliates and their respective officers, directors, members, employees, shareholders, Affiliates, agents, successors and assigns (collectively, the "Indemnified People") and must hold the Indemnified People harmless (with counsel acceptable to Franchisor) for, from and against any and all damages, claims, demands, liabilities, losses, costs and expenses (including reasonable attorneys' fees), of every kind and nature, suffered or incurred by any of the Indemnified People in connection with any lawsuit, action, proceeding or claim arising out of Franchisee's actions or omissions and/or the conduct of Franchisee's Angry Crab Shack by Franchisee.

**12. Confidentiality; Covenant Not to Compete.**

(a) Franchisee acknowledges that Franchisor is engaged in a highly competitive business, the success of which is dependent upon, among other things, Proprietary Information. Franchisee further acknowledges that Franchisor's method of operation, processes, recipes, designs, methods, techniques, formulae and procedures and the other Proprietary Information constitute valuable trade secrets.

(b) Franchisee agrees not to use, disclose, or reveal (and must cause all of Franchisee's directors, officers, and employees not to use, or disclose or reveal), during the term of this Agreement or forever thereafter, any contents of the Manuals, any Proprietary Information or any other information relating to the operation of the Angry Crab Shack. Franchisee must fully and strictly comply with all security measures prescribed by Franchisor for maintaining the confidentiality of all Proprietary Information.

(c) Franchisee acknowledges that a breach of his or her obligations under this Section 12 would cause damage to Franchisor and to Franchisor's other franchisees, and that Franchisee would be liable for this damage.

(d) Notwithstanding the foregoing, Franchisee may disclose Proprietary Information to a person who is bound by the terms of this Section 12 regarding confidentiality and a restrictive covenant contemplated by this Section 12, to the extent that that disclosure is necessary in connection with that person's capacity with Franchisee. In addition, notwithstanding the foregoing, Franchisee may use the Proprietary Information as may be necessary in connection with the operation of the Angry Crab Shack.

(e) Notwithstanding the foregoing, the following will not be subject to the provisions of this Section:

- (i) Information which is in the public domain as of the date of receipt by Franchisee;
- (ii) Information which is known to Franchisee prior to the date of receipt by Franchisee;
- (iii) Information which becomes known to the public without a breach of the provisions of this Section 12 or any agreement signed in connection with this Agreement; and
- (iv) Information that is required by law to be disclosed or revealed, but only strictly to the extent required by law.

(f) Covenant Not to Compete.

(i) Franchisee and Franchisee's members, shareholders, officers, directors, Principals, Guarantors and partners (collectively the "**Franchisee Parties**") may not, during the term of this Agreement and for the one-year period after the expiration or termination of this Agreement for any reason, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a Competing Business at: (1) the location of

Franchisee's Angry Crab Shack; (2) at any location within Franchisee's Franchise Territory; (3) at any location within Franchisee's Development Area; or (4) within a 15-mile radius of: (A) any Angry Crab Shack previously or presently owned, in whole or in part, by Franchisor, Franchisor's Affiliates, or an existing Angry Crab Shack franchisee, or (B) any location with respect to which Franchisor or any of Franchisor's Affiliates have entered into a contract (including a franchise agreement or lease agreement) with respect to the future operation of an Angry Crab Shack.

(ii) The Franchisee Parties may not, during the term of this Agreement and for the one-year period after the expiration or termination of this Agreement for any reason, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a Competing Business at: (1) the location of Franchisee's Angry Crab Shack; (2) at any location within Franchisee's Franchise Territory; (3) at any location within Franchisee's Development Area; or (4) within a 7-mile radius of: (A) any Angry Crab Shack previously or presently owned, in whole or in part, by Franchisor, Franchisor's Affiliates, or an existing Angry Crab Shack franchisee, or (B) any location with respect to which Franchisor or any of Franchisor's Affiliates have entered into a contract (including a franchise agreement or lease agreement) with respect to the future operation of an Angry Crab Shack.

(iii) The Franchisee Parties may not, during the term of this Agreement and for the one-year period after the expiration or termination of this Agreement for any reason, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a Competing Business at: (1) the location of Franchisee's Angry Crab Shack; (2) at any location within Franchisee's Franchise Territory; (3) at any location within Franchisee's Development Area; or (4) within a 3-mile radius of: (A) any Angry Crab Shack previously or presently owned, in whole or in part, by Franchisor, Franchisor's Affiliates, or an existing Angry Crab Shack franchisee, or (B) any location with respect to which Franchisor or any of Franchisor's Affiliates have entered into a contract (including a franchise agreement or lease agreement) with respect to the future operation of an Angry Crab Shack.

(iv) For purposes of this Agreement, a business will be deemed a Competing Business if 15% of its gross sales are derived from the marketing or sale of seafood and/or Cajun style offerings and related appetizers and desserts from a restaurant, food truck, kiosk, and/or food distribution business.

(g) Simultaneously with the signing of this Agreement, Franchisee must cause each of the Principals to sign an agreement in the form of Exhibit D to the Disclosure Document, pursuant to which the Principals agree to, among other things, be bound by the terms of Section 12 and certain other provisions of this Agreement.

(h) Franchisee must, promptly upon hiring or taking office, obtain from all officers of Franchisee and all managers and employees of the Angry Crab Shack, and must deliver to Franchisor, signed agreements, in a form provided in the Manuals, pursuant to which its officers, managers and employees agree to be bound by the provisions of this Section 12 and certain other provisions of this Agreement.

(i) Franchisee acknowledges that the provisions contained in this Section 12 (including the territorial and time restraints) are reasonable and necessary and agrees that his failure to adhere strictly to the restrictions contained in this Section 12 will cause substantial and irreparable damage to Franchisor and to Franchisor's other franchisees. Upon any breach by Franchisee of any of the terms of this Section 12, Franchisor may institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Agreement and to pursue any other remedy to which Franchisor may be entitled. Franchisee agrees that the rights conveyed by this Agreement are of a unique and special nature and that Franchisor's remedy at law for any breach would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding

which may be brought to enforce any provision of this Section 12, without the necessity of posting bond therefor or proof of actual damages.

(j) Upon any breach of Section 12(f), Franchisee will, as liquidated damages and not as a penalty, be obligated to pay to Franchisor \$50,000 for each site operated in breach of Section 12(f) plus 7% of the sales from all products and services sold by or from a site operated in breach of Section 12(f), whether for on-site or off-site consumption.

(k) If the scope of any restriction contained in this Section 12 is too broad to permit the enforcement of that restriction to its fullest extent, then that restriction will be enforced to the maximum extent permitted by law, and Franchisor and Franchisee each consents and agrees that the scope may be judicially limited or modified accordingly in any proceeding brought to enforce that restriction. Each provision contained in this Section 12 is independent and severable and, to the extent that any provision is declared by a court of competent jurisdiction to be illegal, invalid or unenforceable, that declaration will not affect the legality, validity or enforceability of any other provision contained in this Agreement or the legality, validity or enforceability of that provision in any other jurisdiction.

(l) Each and every promise, covenant, representation, warranty, agreement, and acknowledgement in this Section 12 shall survive termination of the Franchise Agreement.

### **13. Transfer of the Angry Crab Shack; Assignment of Franchise Rights.**

(a) By Franchisor.

(i) Franchisor may assign this Agreement or any of its rights, or delegate any of its obligations hereunder without the consent of Franchisee or any other person.

(ii) Franchisor may acquire or be acquired by, any company, including, without limitation, a company operating one or more food service businesses (including food service businesses selling similar or identical food products as Franchisee), located or operating within the Franchise Territory, Site Selection Area, and/or the Development Area, and in conjunction with that transaction, assign this Agreement or any of its rights hereunder without the consent of Franchisee or any other person.

(b) By Franchisee.

(i) Franchisee may not sell or otherwise transfer, by operation of law or otherwise, the Franchise or the Angry Crab Shack, or assign any right granted under this Agreement, without the prior written consent of Franchisor, which consent will not be unreasonably withheld (a “**Transfer**”). It is agreed that Franchisor’s withholding of consent because the prospective transferee (the “**Transferee**”) would not satisfy the then-current qualifications for franchisees; or because the financial or other terms of the transfer may have an adverse impact upon the Transferee’s operation of the Angry Crab Shack; or is at a time when Franchisee (or his Principals, officers, managers or employees) or the Transferee (if he is an existing franchisee of Franchisor) is in breach of, or default under, this Agreement or any other agreement with Franchisor or its Affiliates is reasonable. Any transfer of an equity interest in Franchisee or transfer of some or all of the assets of Franchisee, by operation of law or otherwise, and any merger or consolidation of Franchisee (if a corporation, partnership, limited liability company or other entity) will be deemed to be a transfer of the Angry Crab Shack.

(ii) Franchisee may not offer or grant any sub-franchise of the Franchise, or sell or otherwise transfer any equipment or other assets used in connection with the Angry Crab Shack (other than in the ordinary course of Franchisee’s business), without the express written consent of Franchisor, which consent may be withheld by Franchisor, in its sole discretion.

(c) **Required Materials.** If Franchisee desires to sell or otherwise transfer the Angry Crab Shack, or assign any right granted under this Agreement, he must provide Franchisor with a written request for a transfer, which request must be accompanied by financial and other information regarding the Transferee, the proposed transfer, and other information that Franchisor may require, all pertinent terms of the transaction (which transaction must be for cash and no other consideration) and a Transfer Fee (the “**Required Materials**”).

(d) **Right of First Refusal.** Within 30 days after Franchisor’s receipt of all of the Required Materials, Franchisor will notify Franchisee that a Franchisor desires to purchase the Angry Crab Shack and Franchisee’s rights under this Agreement, upon the same terms and conditions as are offered by the Transferee, or the transfer is approved or disapproved, at Franchisor’s election. If the Transferee is disapproved, the Transfer Fee, less Franchisor’s reasonable out-of-pocket expenses relating to the proposed transfer, will be refunded to Franchisee. Franchisor has the right, but not the obligation, to evaluate and/or investigate the Transferee.

(i) If Franchisor notifies Franchisee that it desires to purchase the Angry Crab Shack and Franchisee’s rights under this Agreement, that transaction will be consummated, upon the same terms and conditions offered by the Transferee, but not later than 90 days after the end of the 30-day period referred to above.

(e) **Transfer Timeline.** If Franchisor notifies Franchisee that the transfer is approved, Franchisee may transfer the Angry Crab Shack, within 90 days after the end of the 30-day period referred to above, to the Transferee on terms no less favorable to Franchisee than the terms identified in the Required Materials, provided that prior to the closing of the transfer of the Angry Crab Shack:

(i) The Transferee signs the form of franchise agreement then being signed by new franchisees and the other documents attached to that franchise agreement have been signed; provided, however, that no Initial Franchise Fee must be paid;

(ii) Each person (and his or her spouse) or entity owning, directly or indirectly, a five percent (5%) or greater equity interest in the Transferee (for example, the general partners or the shareholders) signs an agreement in the form then being signed by new franchisees, pursuant to which he agrees to perform, and guarantee, the Transferee’s obligations to Franchisor and its Affiliates and agrees to be bound by the confidentiality provisions and restrictive covenants contained in the form of franchise agreement then being signed by new franchisees;

(iii) The Transferee and its Principal, and General Manager sign a confidentiality agreement in the form required by Franchisor and attend and satisfactorily complete the Training System, in the sole discretion of Franchisor, if required by Franchisor;

(iv) Franchisee and each Guarantor signs and delivers to Franchisor a general release of Franchisor and its Affiliates, in the form that Franchisor may require;

(v) Franchisee, at his expense, remodels and updates the Angry Crab Shack to Franchisor’s then current standards;

(vi) Franchisee engages an escrow officer approved by Franchisor to handle the closing and supervise the exchange of funds including the payment of the Transfer Fee and other monies owed to Franchisor; and

(vii) All amounts outstanding by Franchisee to Franchisor as of the date of the closing are paid at the closing, and all breaches of or defaults under this Agreement or any other agreement with Franchisor or its Affiliates are cured as of the closing.



(f) **Majority-Owned Transfer.** Any Majority-owned Transfer will be subject to the other provisions of this Section 12(1); provided, however, that the Transfer Fee will be \$2,500 (plus reasonable attorneys' fees) in connection with the transfer and Franchisor will not have the right of first refusal contemplated by Section 13(d). In connection with this transfer, however, the Transferee in connection with a Majority-owned Transfer will not be entitled to attend the Training System (unless Transferee does so at its own cost). The Transferee in connection with a Majority-owned Transfer must sign the form of franchise agreement then being signed by new franchisees (and will be subject to the terms of that franchise agreement, except that the term will be the transferor's remaining term and that no Initial Franchise Fee must be paid) and each person (and his or her spouse), corporation, partnership, limited liability company or other entity that owns, directly or indirectly, a five percent (5%) or greater equity interest in the Transferee in connection with a Majority-owned Transfer must sign and deliver to Franchisor an agreement, in the form attached to the franchise agreement then being signed by new franchisees, pursuant to which he, she or it agree to perform, and guarantee, the Transferee's obligations to Franchisor and its Affiliates, and agree to be bound by the restrictive covenants and the confidentiality and certain other provisions contained in the franchise agreement then being signed by new franchisees. For purposes of this Agreement, the term "**Majority-owned Transfer**" means a transfer to a person or entity that is majority owned by Franchisee, or to a person or entity that owns a majority interest in Franchisee, or to an entity that is owned by the same persons or entities (on a cumulative basis) that beneficially own a majority interest in Franchisee or as a result of which the person(s) who owned a majority interest in Franchisee prior to the transfer continues to own a majority interest in Franchisee after the transfer (for example, an additional person purchases or is issued an equity interest in Franchisee).

(g) **Transfer Upon Death, Permanent Disability or Divorce.** In the case of an individual Franchisee, any attempt to transfer the Angry Crab Shack or assign any right granted under this Agreement upon Franchisee's death, permanent and total disability, or dissolution of marriage (if the Angry Crab Shack, or a majority interest therein, will be transferred to Franchisee's spouse upon dissolution of marriage) will be subject to the restrictions on transfer contained in this Section 13; provided, however, that Franchisor will not have the right of first refusal contemplated by Section 13(d). However, if Franchisor does not approve the proposed Transferee upon death, disability, or dissolution of marriage, Franchisee or his/her legal representative must, within 90 days after Franchisee's death, disability, or dissolution of marriage, transfer the Angry Crab Shack to a person or entity approved by Franchisor in accordance with the provisions of this Section 13 within this 90-day period or this Agreement will terminate.

#### **14. Term; Renewal.**

(a) Subject to Section 16 of this Agreement, the term of this Agreement will commence on the Effective Date and continue an initial term of ten (10) years from the date that Franchisee opens the Angry Crab Shack for business (the "**Initial Term**"). However, if Franchisee executed this Agreement in connection with a Transfer, the Initial Term will continue until the date that the transferring franchisee's franchise agreement would have expired; or upon relocation, the Initial Term will continue until the date that Franchisee's prior franchise agreement would have expired.

(b) If this Agreement has not expired or been terminated prior to the end of the Initial Term, then Franchisee may renew the Franchise for consecutive five (5) year terms (each a "**Renewal Term**") or, if Franchisee became a franchisee in connection with a Majority-owned Transfer, such lesser number as are remaining under Franchisee's transferor's franchise agreement commencing upon the expiration of the then-current term, provided that:

(i) At the time of each renewal, Franchisee (and his Principals, officers, managers and employees) must not be in breach (or have a history of repeated breaches) of his (or their) obligations under, or related to, this Agreement (including the Events of Default) or any other agreement with Franchisor or its Affiliates;

(ii) Franchisee must notify Franchisor in writing of his intention to renew at least six months (but not more than 12 months) before the end of each then current Term (Initial Term or Renewal Term), which notice must be accompanied by a renewal fee equal to one-half (1/2) of the then current initial franchise fee (the "Renewal Fee"), payable by certified or cashiers' check; provided however that the Renewal Fee will not exceed the amount of the Initial Franchise Fee in this Agreement.

(iii) Prior to each renewal, Franchisee must, at his expense, remodel and update the Angry Crab Shack to Franchisor's then current standards;

(iv) Prior to each renewal, Franchisee must sign the form of franchise agreement then being signed by new franchisees and will be subject to the terms of that franchise agreement (including the Royalty Fees, Ad Fund Fees, and other charges) other than the franchise term which will be the remaining term on this Franchise Agreement;

(v) Prior to each renewal, Franchisee and each Guarantor must sign a general release of Franchisor and its Affiliates, in the form that Franchisor may require;

(vi) Prior to each renewal, Franchisee must, at his expense, attend such training programs or refresher courses as Franchisor may request; and

(vii) Franchisor has not notified Franchisee in writing that Franchisor objects to the renewal and returns the Renewal Fee to Franchisee.

(c) If any of the above requirements have not been satisfied, the Franchise Agreement will not be renewed and will expire at the end of the then-current term. The parties agree that Franchisor's refusal to renew if any of the above requirements has not been satisfied constitutes "good cause."

**15. Termination by You.** Franchisee may terminate this Franchise Agreement upon the material default by Franchisor of one or more provisions of this Franchise Agreement provided that the Franchisee provides written notice of the default to Franchisor along with no less than sixty (60) days to cure the default. If the default outlined in Franchisee's notice of default cannot be cured within sixty (60) days and Franchisor is making commercially reasonable efforts to cure the default, the cure period shall be extended for an additional sixty (60) days. If Franchisee terminates this Agreement, Franchisee must still comply with the post-termination obligations described in Section 17 and all other obligations that survive the expiration or termination of this Agreement.

**16. Termination by Franchisor.** Franchisee is in material default, and Franchisor may terminate this Agreement and/or seek an injunction, monetary damages and/or other relief, in Franchisor's sole discretion, upon the occurrence of any of the events ("Events of Default") listed in Section 16, each of which, individually, constitutes "good cause" for termination of this Agreement.

(a) Without an Opportunity to Cure.

(i) If Franchisee has received from Franchisor, during any consecutive 24-month period, 3 or more notices of Events of Default (whether or not the notices relate to the same or to different Events of Defaults and whether or not each Event of Default is timely cured by Franchisee).

(ii) If Franchisee or any of the Principals files a petition for bankruptcy or is placed in involuntary bankruptcy. Termination will be effective immediately upon that filing or placement.

(iii) If Franchisee or any of the Principals becomes insolvent (defined as the inability to pay his debts in the ordinary course of business) and/or the excess of liabilities (current or long term) over assets (current or long term). Termination will be effective immediately written notice to Franchisee.

(iv) If Franchisee does not open the Angry Crab Shack within twelve (12) months of the Effective Date or four (4) months after the Landlord makes the site for the Angry Crab Shack available to him (as determined by Franchisor), whichever occurs first. Termination will be effective on such date or on such later date as Franchisor may select.

(v) If Franchisee breaches or defaults under any obligation under the Lease (and that breach or default has not been cured within the time period allowed by the Lease) or loses possession of the Angry Crab Shack Premises for any reason during the term of this Agreement. Termination will be effective upon any of the following, at Franchisor's election:

- a. The date possession of the Premises or site (or the right thereto) is lost; or
- b. The date that Franchisor, its Affiliates, or the Landlord has provided notice of termination to Franchisee.

(vi) If Franchisee loses, or fails to obtain or maintain, any permit or license necessary to operate the Angry Crab Shack. Termination will be effective on the date that the permit or license is lost or denied.

(vii) If a Development Agreement between Franchisor or any of its Affiliates and Franchisee or any of its Affiliates is terminated. Termination will be effective on the date that the Development Agreement is terminated unless Franchisor provides notice to Franchisee otherwise.

(viii) If any other franchise agreement between Franchisor or any of its Affiliates and Franchisee or any of his Affiliates is terminated. Termination will be effective on the date that that other agreement is terminated unless Franchisor provides notice to Franchisee otherwise.

(ix) If Franchisee misrepresents, or commits fraud in connection with his application for a franchise, or in any other oral or written information communicated to Franchisor.

(x) If Franchisee ceases to operate or otherwise abandons the Angry Crab Shack, as evidenced by the Angry Crab Shack being closed for business for more than three (3) consecutive days without Franchisor's prior written consent.

(xi) If Franchisee or any Principal is (or has been) convicted by a trial court of, or has plead guilty or no contest to, a felony or other crime or offense that may adversely affect the goodwill or reputation of Franchisor, its products, or the Marks, or if Franchisee or any Principal engages in (or has engaged in) any conduct that may adversely affect the goodwill or reputation of Franchisor, its products, or the Marks.

(xii) If Franchisee refuses or fails to allow Franchisor access to the Premises of Franchisee's Angry Crab Shack, and such refusal or failure has not been cured within 24 hours after Franchisor has sought access. Termination will be effective immediately upon notice to Franchisee.

(xiii) If Franchisee underreports his Net Sales by three percent (3%) or more on three (3) or more occasions.

(xiv) If Franchisee or any Principal engages in any conduct that violates any law, regulation or ordinance or commits an act of moral turpitude.

(xv) If Franchisee uses, or permits the use of, the Angry Crab Shack, or the Premises, for any illegal or unauthorized purpose, including the substitution or sale of Goods, Materials or other products, goods, or materials under the Marks.

(xvi) If Franchisee conducts its Angry Crab Shack in a manner that may adversely affect the goodwill or reputation of Franchisor, its products, or the Marks, provided, however, that if, in Franchisor's sole discretion, that damage is curable, Franchisee will have 30 days within which to cure that damage. Termination will be effective immediately upon notice, unless that damage is curable, in which event, termination will be effective upon the 30th day after that notice, unless that damage is cured.

(xvii) If Franchisee violates any health, safety or sanitation law, rule, regulation or ordinance and fails to begin to correct such noncompliance or violation immediately or fails to completely correct such noncompliance or violation within 24 hours after Franchisor has provided notice of such noncompliance or violation to Franchisee. Termination will be effective immediately upon notice to Franchisee, without any opportunity to cure. If the noncompliance or violation is not curable within 24 hours and Franchisee is making commercially reasonable efforts to cure such event of noncompliance or violation, the cure period shall be extended for as long as Franchisee continues such commercially reasonable efforts provided that such period shall not exceed 14 days unless the delay is due to an event of Force Majeure. Nothing in this Section should be interpreted to allow Franchisee to operate the Angry Crab Shack in violation of applicable health, safety, or sanitation law, rule, regulation or ordinance.

(b) Upon Failure to Timely Cure a Default.

(i) If Franchisee (or his Principals) fails to pay any monies owed to Franchisor or any of its Affiliates under this Agreement, or any other agreement with Franchisor or its Affiliates, and that failure has not been cured within 10 days after Franchisor has provided notice of that failure to Franchisee. Termination will be effective immediately upon the expiration of the end of that cure period.

(ii) If Franchisee (or his Principals, officers, managers or employees) fails to perform any obligation (other than the payment of monies owed to Franchisor or any of its Affiliates) under this Agreement, or any other agreement with Franchisor or its Affiliates; provided, however, that if that failure is curable (in Franchisor's discretion), Franchisee may cure that failure within 30 days after Franchisor has provided notice of that failure to Franchisee. Termination will be effective immediately upon notice, unless that failure is curable, in which event, termination will be effective upon the 30th day after that notice, unless that failure is cured.

(iii) If Franchisee does not possess sufficient working capital, in Franchisor's reasonable discretion, to operate the Angry Crab Shack in a manner consistent with this Agreement, the System and the Manuals, and that failure has not been cured within 30 days after that Franchisor notifies Franchisee of its reasonable belief that Franchisee does not possess sufficient working capital. Termination will be effective as of end of that cure period if that failure has not been cured.

(iv) If any involuntary lien exceeding \$10,000 is placed on Franchisee's business assets and is not promptly (but in any event within 30 days) removed or bonded. Termination will be effective immediately upon notice to Franchisee by Franchisor.

(v) If Franchisee attempts to transfer, or transfers, by operation of law or otherwise, the Angry Crab Shack, or attempts to assign, or assigns, any right granted under this Agreement, without the prior written consent of Franchisor, or otherwise in violation of this Agreement. Any transfer of an equity interest in Franchisee, by operation of law or otherwise, and any merger or consolidation of Franchisee (if a corporation, partnership, limited liability company or other entity) is deemed to be a transfer in violation of this provision. Termination will be effective upon either of the following, at Franchisor's election:

a. The date of the attempted transfer, transfer, attempted assignment, assignment, merger or consolidation; or

b. The date 30 days after Franchisor has provided notice of termination to Franchisee, unless the transfer or assignment has been rescinded within 30 days after Franchisor has provided notice of termination to Franchisee.

(vi) Upon Franchisee's death, permanent disability, or divorce, if the Angry Crab Shack is not transferred within the 90-day period referenced in Sections 13(g) of this Agreement.

(vii) If Franchisee (or, if Franchisee is a corporation, partnership, limited liability company or other entity, a Principal) fails to satisfactorily complete the Training System, in the sole discretion of Franchisor or, if Franchisor so requires, refuses to attend the Training System a second time.

**17. Rights and Obligations of the Parties upon Expiration or Termination.** Upon expiration or termination of this Agreement for any reason:

(a) Franchisee will forfeit all fees paid.

(b) All goodwill associated with Franchisee's Angry Crab Shack and Franchisee's use of the Marks, is, and will be, the property of Franchisor, and Franchisee will receive no payment therefor.

(c) Franchisee must promptly return the Manuals, all training materials, all recipes, and all other property of Franchisor (including all materials relating to the Marks, the Copyrights, the Innovations or the Proprietary Information) to Franchisor.

(d) Franchisor may enter the Premises of the Angry Crab Shack and recover the Manuals, all training materials, all recipes and all other property of Franchisor (including all materials relating to the Marks, the Copyrights, the Innovations or the Proprietary Information).

(e) Franchisee must comply with each and every of the covenants that survive termination set forth in Section 12 of this Agreement.

(f) Franchisee must immediately: (a) cease using the Marks, the Copyrights, the Innovations and the Proprietary Information; (b) cancel all assumed names or equivalent business registrations relating to the use of the Marks; (c) notify the telephone company and all listing agencies of the termination of Franchisee's right to use the Marks and, if requested by Franchisor, of Franchisee's assignment of Franchisee's telephone numbers to Franchisor; (d) not, directly, or indirectly, identify himself with Franchisor or the Marks; and (e) if requested by Franchisor or the Landlord, renovate the Premises of the Angry Crab Shack to eliminate the Marks and de-identify such Premises to remove all Trade Dress, returning it to a "vanilla shell," at Franchisee's expense. Franchisee irrevocably appoints and constitutes Franchisor and its representatives and agents, with full power of substitution, as Franchisee's agent and attorney-in-fact for and on behalf of, and in Franchisee's name, and at Franchisee's expense, to take any or all of the above actions, without liability for trespass. This special power of attorney will be deemed to be coupled with an interest and irrevocable.

(g) Franchisee must pay to Franchisor, within 10 days of expiration or termination of this Agreement, all amounts outstanding to Franchisor or its Affiliates from Franchisee or his Affiliates.

(h) In addition, upon expiration or termination of this Agreement by Franchisor or by Franchisee, Franchisor may, but will not be obligated to, purchase, or have its designee purchase:

(i) All, or any portion of, Franchisee's signage and menu boards; and/or

(ii) All, or any portion of, the Angry Crab Shack equipment and other tangible assets of the Angry Crab Shack for an amount equal to the Depreciated Value (as defined below). If Franchisor is required, by law, regulation or court order, to purchase the equipment and/or other tangible assets used in

connection with the Angry Crab Shack, the purchase price will be equal to the Depreciated Value. For purposes of this Agreement, the term "**Depreciated Value**" means, subject to applicable law, an amount equal to Franchisee's cost for such assets, less depreciation and amortization using a 200% declining balance method over a 5-year period. If all, or any portion of, Franchisee's assets that are being purchased by Franchisor or its designee are subject to lien(s), Franchisor or its designee may pay, on Franchisee's behalf, the lienholder(s) that portion of the purchase price for Franchisee's assets (which may be the entire purchase price) that is necessary to obtain the release of those assets from the lien(s), in lieu of paying Franchisee those funds.

(iii) In addition, Franchisor, or its designee, may, but will not be obligated to, pursuant to the Franchisor Lease Addendum, assume Franchisee's future obligations under the Lease and continue the operations of Franchisee's Angry Crab Shack in Franchisor's, or its designee's, name. Further, Franchisor may offset any amounts payable to Franchisee pursuant to this Section, or otherwise pursuant to this Agreement, against any unpaid amounts payable to Franchisor or its Affiliates pursuant to this Agreement or any agreement executed in connection with this Agreement.

(iv) Upon any breach by Franchisee of any of the terms of this Section 17, Franchisor may institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Agreement and to pursue any other remedy to which Franchisor may be entitled. Franchisee agrees that the rights conveyed by this Agreement are of a unique and special nature and that Franchisor's remedy at law for any breach would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding which may be brought to enforce any provision of this Section 17, without the necessity of posting bond therefor or proof of actual damages.

**18. Survival.** Notwithstanding anything contained in this Agreement to the contrary, the provisions of this Agreement that may affect the parties' rights and obligations after the expiration or termination of this Agreement will survive the expiration and termination of this Agreement.

**19. Relationship of the Parties.**

(a) It is expressly agreed that the parties intend, by entering into this Agreement, to establish the relationship of franchisor and franchisee. Neither Franchisor nor Franchisee is the employer, employee, agent, partner or co-venturer of or with the other, each being independent. Each of the parties shall 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.

(b) Franchisor will not have the power to hire or fire Franchisee's employees and/or independent contractors. Franchisee alone is responsible for all employment decisions and functions of its Franchised Business, including, without limitation, those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision, and discipline of employees, regardless of whether Franchisee has received advice from Franchisor on these subjects or not. All employees or independent contractors hired by or working for Franchisee will be Franchisee's employees or independent contractors alone and will not, for any purpose, be deemed Franchisor's employees or subject to Franchisor's control, including 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.

(c) Franchisee agrees to hold itself out to the public as an independent contractor operating the Franchised Restaurant pursuant to a license from the Franchisor. Franchisee further agrees that it alone will ensure that its Franchised Business complies with all applicable federal, state, and local laws and regulations, including labor and employment laws. Franchisor will have no liability for any action or settlement related to hiring, firing, training, establishing remuneration, compliance with wage and hour

requirements, personnel policies, benefits, recordkeeping, supervision, and discipline of employees and Franchisee agrees to indemnify Franchisor for any such liabilities it incurs. Franchisee agrees that any direction Franchisee receives from Franchisor regarding employment policies should be considered as examples, that Franchisee alone is responsible for establishing and implementing Franchisee's own policies, and that Franchisee understands that Franchisee should do so in consultation with local legal counsel well-versed in employment law.

**20. Provisions.** Each provision, condition and term of this Agreement is material, and a breach or violation of any of them will constitute a default of that party's obligations under this Agreement.

**21. Affiliates.** For purposes of this Agreement, the term "Affiliate" means any person or entity (a) that beneficially owns a 20% or greater equity interest in the other person or entity (for example, a parent company of Franchisee or an individual that owns at least a 20% interest in Franchisee), (b) whose equity interests (20% or greater) are beneficially owned by the other person or entity (for example, a subsidiary of Franchisee) or (c) whose equity interests (20% or greater) are beneficially owned by the other persons or entities who (on a cumulative basis) own a 20% or greater equity interest in the other person or entity (for example, a sister company of Franchisee).

**22. Notices.** All communications or notices required or permitted to be given or served under this Agreement must be in the English language and in writing and will be deemed to have been duly given or made if (a) delivered in person or by courier (including by Federal Express or other courier), (b) deposited in the United States mail, postage prepaid, for mailing by certified or registered mail, return receipt requested, or (c) delivered by e-mail (return receipt requested), and addressed to the address or e-mail address identified in this Agreement. All communications and notices will be effective upon delivery in person or by courier to the address identified in this Agreement, upon being deposited in the United States mail in the manner stated above or delivered by e-mail in the manner stated above. Any party may change his, her or its address or e-mail address by giving notice in writing, stating his, her or its new address or e-mail address to the other party to this Agreement as provided in the foregoing manner.

**23. Successors and Assigns.** Subject to Section 13, which restricts Franchisee's rights to assign this Agreement and his rights hereunder, this Agreement will be binding upon and inure to the benefit of the parties and their respective assigns, legal representatives, executors, heirs and successors. Any attempt by Franchisee to assign this Agreement, or any of his rights hereunder, or to delegate his obligations hereunder, without compliance with the terms of Section 13 will be void. Notwithstanding anything contained in this Agreement to the contrary, Franchisor may assign this Agreement, or any of its rights hereunder, or delegate any of its obligations hereunder without the consent of Franchisee or any other person.

**24. Amendment, Modification, Waiver or Deferral.**

(a) Notwithstanding anything contained in this Agreement to the contrary, Franchisor retains the right to modify and amend the Manuals and to issue rules, regulations, instructions, policies and procedures for the conduct of the Angry Crab Shack from time to time, in its sole discretion, without obtaining the consent or approval of Franchisee.

(b) Except as described in this Agreement, no amendment, modification or waiver of any condition, provision or term of this Agreement will be valid or of any effect unless made in a writing specifying with particularity the nature and extent of the amendment, modification or waiver and signed by Franchisee and by Franchisor's President, or by another person designated in writing to Franchisee by one of such persons, on Franchisor's behalf.

(c) Failure on the part of any party to complain of any act or failure to act of another party or to declare another party in default, irrespective of how long the failure continues, will not constitute a waiver by that party of his, her or its rights under this Agreement; provided, however, that any breach or default of

Franchisor will be deemed to be waived 90 days after the occurrence of this breach or default unless Franchisee provides written notice of this breach or default to Franchisor within this 90-day period. Any waiver by any party of any default of another party will not affect or impair any right arising from any other or subsequent default.

(d) Notwithstanding anything contained in this Agreement to the contrary, at any time that Franchisee or any of his Affiliates is in breach of his obligations under this Agreement, or any other agreement between Franchisee or any of his Affiliates and Franchisor or any of its Affiliates, Franchisor (or its Affiliate) may elect to defer the performance of Franchisor's (or its Affiliate's) obligations under this Agreement or such other agreement, or defer the opening of one or more of Franchisee's Angry Crab Shacks, until Franchisee's (or its Affiliate's) breach has been cured. Franchisor's (or its Affiliate's) exercise of that right will not constitute a waiver of its rights under this Agreement or such other agreement, including Franchisor's (or its Affiliate's) right to terminate this Agreement or such other agreement. In addition, Franchisor's (or its Affiliate's) exercise of that right will not serve as a basis for any claim by Franchisee (or his Affiliate) that Franchisor did not perform its obligations in a timely manner.

**25. Severable Provisions; Enforceability.** Each provision of this Agreement is intended to be independent of and severable from the others. If any provision or any portion of a provision, of this Agreement is declared by a court of competent jurisdiction to be illegal, unenforceable, or invalid for any reason whatsoever, that illegality, unenforceability or invalidity will not affect the validity of the remainder of this Agreement or the legality, enforceability or validity of that provision in any other jurisdiction. It is the intention and the agreement of the parties to this Agreement that the noncompetition and confidential information provisions described in Section 12 of this Agreement be enforceable to the maximum extent permitted by law and, to that end, understand and agree that said provisions may be limited or modified by a court of competent jurisdiction to ensure enforceability thereof.

**26. Entire Agreement.** This Agreement, including the other agreements contained as exhibits to Franchisor's Franchise Disclosure Document and the Manuals (as amended from time to time), contains the entire understanding and agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings between the parties with respect to that subject matter. Each of the other agreements contained as exhibits to Franchisor's Franchise Disclosure Document and the Manuals are incorporated in this Agreement by this reference and constitutes a part of this Agreement. Notwithstanding this Section 26, nothing in this Agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.

**27. Terminology.** All references in this Agreement to the term "including" means "including, without limitation." All references in this Agreement to the term "entity" include, among other things, a trust. Unless expressly provided to the contrary, any reference in this Agreement to Franchisor's discretion or judgment means Franchisor's sole and absolute discretion or judgment, and any determination (such as approval or consent), decision or judgment required or permitted to be taken or given by Franchisor will be subject to Franchisor's sole and absolute discretion. All captions, headings or titles in the paragraphs or sections of this Agreement are inserted for convenience of reference only and do not constitute a part of this Agreement or a limitation of the scope of the particular paragraph or section to which they apply. All personal pronouns used in this Agreement, whether used in the masculine, feminine, or neutral gender, will, where appropriate, include all other genders and the singular will include the plural and vice versa.

**28. Counterparts.** This Agreement may be signed in two or more counterparts, each of which will be considered the same agreement and will become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.



## 29. Dispute Resolution.

(a) **Mediation.** Before you or we may bring an action in court, against the other, you and we must first meet to mediate the dispute (except as otherwise provided below). Any such mediation will be non-binding and will be conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. The mediation proceeding will be conducted within 30 miles of our then-existing principal business location. The commencement and completion of mediation proceedings, except as otherwise set forth herein, is a condition precedent to either Franchisor or Franchisee filing a claim against the other pursuant to this Agreement.

(b) **Certain Disputes Exempted.** Notwithstanding anything contained in this Agreement to the contrary, Section 29(a) does not apply in cases where Franchisor brings an action for an express obligation to pay monies, declaratory relief, preliminary or permanent equitable relief, any action at law for damage to Franchisor's goodwill, the Proprietary Information, the Marks or other property or for fraudulent conduct by Franchisee or the delay resulting from the mediation process may adversely affect Franchisor's financial condition or endanger or adversely affect the public (for example, unhealthy, unsafe or unsanitary conditions would continue to exist).

(c) **Governing Law.** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement, the franchise, and all claims arising from the relationship between you and us will be governed by the laws of the State of Arizona, without regard to its conflict of laws rules, provided, however, that any Arizona law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section 29(b).

(d) **Consent to Jurisdiction.** You and we agree that, to the extent any disputes cannot be resolved directly between us, you will file any suit against us only in the federal or state court having jurisdiction where our principal offices are located at the time suit is filed. We may file suit in the federal or state court located in the jurisdiction where our principal offices are located at the time suit is filed or in the jurisdiction where you reside or do business, where the Angry Crab Shack is or was located, or where the claim arose. You consent to the personal jurisdiction of those courts over you and to venue in those courts.

(e) **Waiver of Certain Damages and Rights.** FRANCHISEE AND FRANCHISOR HEREBY WAIVE THE RIGHT TO A JURY TRIAL, WAIVES THE RIGHT TO INITIATE OR PARTICIPATE IN A CLASS ACTION IN ANY FORUM, INCLUDING, WITHOUT LIMITATION, ARBITRATION, AND WAIVES THE RIGHT TO SEEK OR COLLECT PUNITIVE, CONSEQUENTIAL AND SPECIAL DAMAGES IN ANY FORUM, INCLUDING, WITHOUT LIMITATION, ARBITRATION. NOTWITHSTANDING ANYTHING CONTAINED IN THIS AGREEMENT TO THE CONTRARY, FRANCHISEE AND FRANCHISOR AGREE THAT ANY CLAIMS UNDER, ARISING OUT OF OR RELATED TO THIS AGREEMENT MUST BE BROUGHT WITHIN TWO YEARS OF THE DATE ON WHICH THE UNDERLYING CAUSE OF ACTION ACCRUED, AND FRANCHISEE AND FRANCHISOR HEREBY WAIVE ANY RIGHT TO BRING ANY SUCH ACTION AFTER SUCH TWO-YEAR PERIOD.

(f) **Reimbursement of Costs and Expenses.** If either party brings an action to enforce this Agreement in a judicial proceeding, the party prevailing in that proceeding will be entitled to reimbursement of costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, in contemplation of or subsequent to the filing of, the proceeding. If we utilize legal counsel (including in-house counsel employed by us) in connection with any failure by you to comply with this Agreement, you agree to

reimburse us for any of the above-listed costs and expenses incurred by us. In any judicial proceeding, the amount of these costs and expenses will be determined by the court and not by a jury.

(g) **Rights and Remedies Cumulative.** No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy in this Agreement or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy. The provisions of this Section 29 shall survive the expiration or earlier termination of this Agreement.

(h) **Limitations of Claims.** Any and all claims and actions arising out of or relating to this Agreement, the relationship between you and us, or your operation of the Angry Crab Shack, must be brought or asserted before the expiration of the earlier of: (1) the time period for bringing an action under any applicable state or federal statute of limitations; (2) 1 year after the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim; or (3) 2 years after the first act or omission giving rise to an alleged claim; or it is expressly acknowledged and agreed by all parties that such claims or actions will be irrevocably barred. Our claims attributable to underreporting of sales, and claims of the parties for failure to pay monies owed and/or indemnification will be subject only to the applicable state or federal statute of limitations.

(i) **Injunctive Relief.** You recognize that your failure to comply with the terms of this Agreement, including, but not limited to, the failure to comply with all confidentiality and post-termination obligations, is likely to cause irreparable harm to us, our Affiliates and the System. Therefore, you agree that, in the event of a breach or threatened breach of any of the confidentiality or post-termination terms of this Agreement by you, we will be entitled to injunctive relief (both preliminary and permanent) restraining that breach and/or to specific performance without showing or proving actual damages and without posting any bond or security. Any equitable remedies sought by us will be in addition to, and not in lieu of, all remedies and rights that you otherwise may have arising under applicable law or by virtue of any breach of this Agreement.

(j) **Survives Termination.** The provisions of this Section 29 will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement, however effected.

(k) **Election to Resolve Claims.** This Section 29 is an election to require most claims, disputes, and controversies to be submitted to mediation before a claim may be filed in court. The parties agree and understand that they are waiving certain rights to seek redress and any right to a jury trial. The parties understand that the rules applicable to arbitrations and the rights of parties in arbitrations differ from the rules and rights applicable in court.

**30. Attorneys' Fees.** In the event of any Event of Default, or if any claim, controversy or dispute arising out of or relating to this Agreement, any the breach thereof, or the parties' relationship, Franchisee must pay to Franchisor all damages, costs and expenses, including all late fees, collection fees, interest and Franchisor's reasonable investigation and attorneys' fees and costs incurred in connection with any proceeding, or as a result of any breach by Franchisee or Event of Default, as well as the costs of any experts and investigation relating thereto. Nothing herein in any way restricts Franchisor's right to recover monetary damages, injunctive relief and/or any and all other remedies available to Franchisor, in addition to its attorneys' fees and costs. All such interest, damages, costs and expenses may be included in and form part of the judgment awarded to Franchisor in any proceeding between the parties.

**31. Remedies Cumulative.** The remedies of the parties under this Agreement are cumulative and will not exclude any other remedies to which any party may be lawfully entitled.

**32. Construction.** The parties acknowledge that each party was represented (or had the opportunity to be represented) by legal counsel in connection with this Agreement and that each of them and his, her or

its counsel have reviewed this Agreement, or have had an opportunity to do so, and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party will not be employed in the interpretation of this Agreement or any amendments or any exhibits.

**33. Additional Actions.** Each party agrees to do all acts and things and to make, sign and deliver such written instruments as may from time to time be reasonably required to carry out the terms and provisions of this Agreement.

**34. Computation of Time.** Whenever the last day for the exercise of any privilege or discharge of any duty under this Agreement falls upon Saturday, Sunday or any legal holiday under Arizona law, the party having that privilege or duty will have until 5:00 p.m. Phoenix, Arizona time, on the next succeeding regular business day to exercise that privilege or to discharge that duty.

**35. Currency.** Unless otherwise directed by Franchisor in writing, all amounts contemplated by this Agreement will be paid in United States Dollars and deposited in the bank account specified by the recipient. Computation of any amounts to be paid which require conversion between currencies will be made at the selling rate for United States Dollars quoted by Franchisor's primary bank on the date on which payment is made. Franchisee will pay all costs of currency exchange.

**36. Authority.** Any individual signing below on behalf of a corporation, partnership, limited liability company or other entity personally represents that he has full authority to bind the party or parties on whose behalf he is signing.

**37. Compliance with Anti-Terrorism Laws.** Franchisee hereby represents and warrants to Franchisor that neither Franchisee, nor any of his Affiliates or their respective equity owners, directors, officers, employees, representatives and agents (collectively, the "Included People"), (a) is identified, by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control or (b) has violated any Anti-Terrorism Law (as defined below). You and your owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with Anti-Terrorism Laws. In connection with that compliance, you and your owners certify, represent, and warrant that none of your property or interests is subject to being blocked under, and that you and your owners otherwise are not in violation of, any of the Anti-Terrorism Laws. The term "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, the rules, orders and guidelines promulgated by the Office of Foreign Assets Control ("OFAC") and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or your owners, or any blocking of your or your owners' assets under the Anti-Terrorism Laws, will constitute good cause for immediate termination of this Agreement. Franchisee shall comply with, all laws prohibiting corrupt business practices, money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government. Franchisee further agrees that he will immediately notify Franchisor of the occurrence of any event, or the development of any circumstances, that might render any of the foregoing representations or warranties to be false, inaccurate or misleading. Any violation of the Anti-Terrorism Laws by you or your owners, or any blocking of your or your owners' assets under the Anti-Terrorism Laws, will constitute good cause for immediate termination of this Agreement.

**SIGNATURE PAGE**

**IN WITNESS WHEREOF**, the parties have executed this Agreement, or caused this Agreement to be executed, as of \_\_\_\_\_.

**NAME OF FRANCHISEE:** \_\_\_\_\_

Check One:     \_\_\_\_\_ Individual   \_\_\_\_\_ Corporation  
                   \_\_\_\_\_ General Partnership                                   \_\_\_\_\_ Limited Partnership  
                   \_\_\_\_\_ Limited Liability Company                         \_\_\_\_\_ Other Entity (Identify) \_\_\_\_\_

State of Organization or Residence: \_\_\_\_\_

Executed By: \_\_\_\_\_  
 (Sign Name)

\_\_\_\_\_  
 (Print Name)

\_\_\_\_\_  
 (Title and Name of Entity)

If executed on behalf of a corporation, a partnership, a limited liability company or another type of entity, list title:

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

Phone No.: \_\_\_\_\_

Mobile No.: \_\_\_\_\_

E-mail address: \_\_\_\_\_

Supervising Principal or General Manager: \_\_\_\_\_

Principals of Franchisee (Shareholders, Partners, Members, Etc.---Total MUST equal 100%)

<u>Name</u>	<u>% Ownership</u>
-------------	--------------------

**ANGRY CRAB FRANCHISE, LLC**

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

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

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

**Exhibit 1**  
**CONSENT OF SPOUSE**  
**(to be executed if Franchisee is a married individual)**

The undersigned is the spouse of the Franchisee identified in the Franchise Agreement, dated as of \_\_\_\_\_, between his or her spouse and ANGRY CRAB FRANCHISE, LLC (the "Agreement"), to which this Consent of Spouse is attached.

The undersigned hereby declares that he/she has read the Agreement, including each of the documents that are exhibits to or referenced in the Agreement, in its entirety and, being fully convinced of the wisdom and equity of the terms of the Agreement, including each of the documents that are exhibits to or referenced in the Agreement, and in consideration of the premises and of the provisions of the Agreement, the undersigned hereby expresses his or her acceptance of the same and does agree to its provisions.

The undersigned further agrees that in the event of the death of his or her spouse, the provisions of this Agreement, including each of the documents that are exhibits to or referenced in the Agreement, will be binding upon him/her.

The undersigned further agrees that he/she will at any time make, execute and deliver such instruments and documents which may be necessary to carry out the provisions of the Agreement, including each of the documents that are exhibits to or referenced in the Agreement.

This instrument is not a present transfer or release of any rights which the undersigned may have in any of the community property of his or her marriage.

DATED \_\_\_\_\_

\_\_\_\_\_  
(Signature of Spouse)

\_\_\_\_\_  
(Print Name of Spouse)

**Exhibit 2**

**SITE SELECTION AREA  
FRANCHISE TERRITORY  
SITE SELECTION AREA**

This Section applies only if you have not identified a Premises for your Angry Crab Shack as of the Effective Date of this Franchise Agreement. Under such circumstances, you are required to lease or purchase the Premises for your Angry Crab Shack from a third party or, in some instances, from us or our Affiliates within one (1) year from the date that you sign the Franchise Agreement (the “Opening Deadline Period”). Once a site has been selected, your rights in the Site Selection Area will terminate and your rights will be limited to the Franchise Territory identified below. The site must be located within the following Site Selection Area:

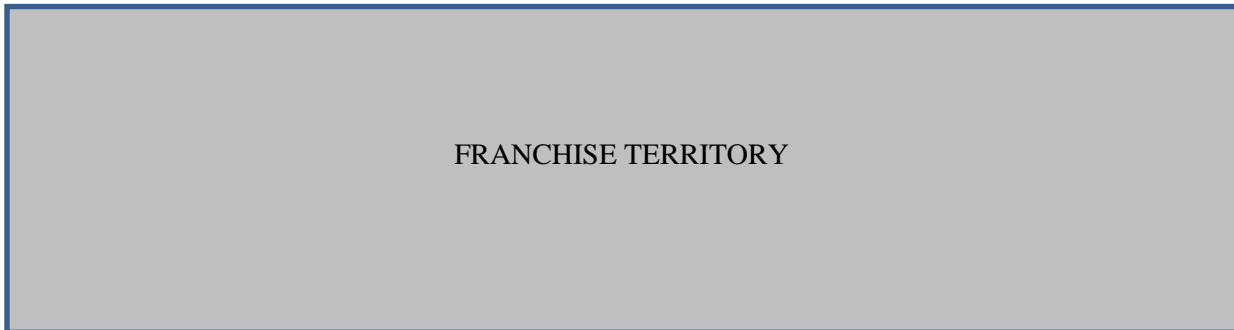


**FRANCHISE TERRITORY**

Your rights in the Franchise Territory are subject to the limitations described in Section 2 of the Franchise Agreement. Any boundaries contained in the description of the Franchise Territory will be considered fixed as of the Effective Date and shall not change notwithstanding a change in those boundaries.

The Angry Crab Shack will be located at: \_\_\_\_\_

The Parties agree that the Franchise Territory with respect to the Franchise Agreement shall include the following zip codes (or other geographic area):



ACKNOWLEDGED AS A COMPLETE AND ACCURATE DESCRIPTION OF THE FRANCHISEE  
TERRITORY AS OF

**ANGRY CRAB FRANCHISE, LLC**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

**Exhibit D to Franchise Disclosure Document  
Agreement to Be Bound and Guarantee**

**AGREEMENT TO BE BOUND AND TO GUARANTEE**

This Agreement to Be Bound and to Guarantee (“Guaranty”), dated as of the date stated at the end of this Guaranty, executed by the guarantors identified in Section 19 of this Guaranty (each a “Guarantor”) in favor of ANGRY CRAB FRANCHISE, LLC, doing business as “Angry Crab Shack” (“Franchisor”).

WHEREAS, as an inducement for Franchisor to execute and deliver, and to perform its obligations under, that certain franchise agreement (“Franchise Agreement”), dated as of the date stated in Section 19 of this Guaranty, by and between Franchisor and the franchisee identified in Section 19 of this Guaranty (“Franchisee”), Guarantor has agreed to jointly and severally guarantee the obligations of Franchisee to Franchisor and its Affiliates (as defined in the Franchise Agreement) (including, without limitation, obligations under the Franchise Agreement (and the assignment of concession agreement, if applicable) executed in connection therewith) and to be bound by certain of the provisions contained in the Franchise Agreement.

WHEREAS, Guarantor owns, directly or indirectly, a 5% or greater equity interest in Franchisee.

WHEREAS, Guarantor acknowledges and agrees that Franchisor will materially rely upon Guarantor’s obligations under this Guaranty.

NOW, THEREFORE, in consideration of the foregoing promises and the execution and delivery of the Franchise Agreement by Franchisor, and the performance of Franchisor’s obligations thereunder, Guarantor agrees, for the benefit of Franchisor and its Affiliates (as defined in the Franchise Agreement), as follows:

1. Guaranty. Guarantor unconditionally guarantees and promises to pay to Franchisor and/or its Affiliates and to perform, for the benefit of Franchisor and/or its Affiliates, on demand, any and all obligations and liabilities of Franchisee in connection with, with respect to or arising out of the Franchise Agreement as well as any other agreements executed by Franchisee in conjunction with the Franchise Agreement, if applicable, executed in connection therewith and/or any other agreement with Franchisor or its Affiliates.

2. Confidentiality.

a. Guarantor acknowledges that Franchisor is engaged in a highly competitive business, the success of which is dependent upon, among other things, trade secrets and other confidential and proprietary information, processes, materials and rights relating to the development, promotion and operation of the Franchised Business (as defined in the Franchise Agreement), including, without limitation, the Manuals, method of operation, processes, techniques, formulae and procedures (collectively, the “Proprietary Information”). Guarantor further acknowledges that the Proprietary Information constitutes valuable trade secrets.

b. Guarantor agrees not to use for any purpose, disclose, or reveal (and must cause all of Franchisee’s directors, officers, and employees not to use for any purpose, disclose, or reveal), during the term of this Guaranty or forever thereafter, to any person any contents of Franchisor’s Confidential Restaurant Launch Manual and the Confidential Operations Manual (collectively the “Manuals”), any Proprietary Information or any other information relating to the operation of the Franchised Business. Guarantor must fully and strictly comply with all security measures prescribed by Franchisor for maintaining the confidentiality of all Proprietary Information.



c. Guarantor acknowledges that a breach of his or her obligations under this Section 2 would cause damage to Franchisor and to Franchisor's other franchisees, and that Guarantor would be liable for this damage.

d. Notwithstanding the foregoing, Guarantor may disclose Proprietary Information to a person who is bound by the terms of this provision regarding confidentiality and a restrictive covenant contemplated by Section 12 of the Franchise Agreement, to the extent that that disclosure is necessary in connection with that person's capacity with Franchisee.

e. Notwithstanding the foregoing, the following will not be subject to the provisions of this Section 2:

- (i) Information which is in the public domain as of the date of receipt by Franchisee;
- (ii) Information which is known to Franchisee prior to the date of receipt by Franchisee;
- (iii) Information which becomes known to the public without a breach of the provisions of this Section 2 or any agreement executed in connection with the Franchise Agreement; and
- (iv) Information which is required by law to be disclosed or revealed, but only strictly to the extent required by law.

### 3. Covenant Not to Compete.

a. Guarantor may not, during the term of this Guaranty and for the one-year period after the expiration or termination of this Guaranty for any reason, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a business that derives 15% or more of its gross sales from the marketing or sale of seafood and/or Cajun style offerings and related appetizers and desserts from a restaurant, food truck, kiosk, and/or food distribution business (a "Competing Business" as such term is defined in Section 12(g)(iv) of the Franchise Agreement) at: (i) the location of Franchisee's Angry Crab Shack; (ii) at any location within Franchisee's Development Area; or (iii) within a 15-mile radius of: (A) any Angry Crab Shack previously or presently owned, in whole or in part, by Franchisor, Franchisor's Affiliates, or an existing Angry Crab Shack franchisee, or (B) any location with respect to which Franchisor or any of Franchisor's Affiliates has entered into a contract (including a franchise agreement) with respect to the future operation of an Angry Crab Shack;

b. Guarantor may not, during the term of this Guaranty and for the one-year period after the expiration or termination of this Guaranty for any reason, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in Competing Business at: (i) the location of Franchisee's Angry Crab Shack; (ii) at any location within Franchisee's Development Area; or (iii) within a 7-mile radius of: (A) any Angry Crab Shack previously or presently owned, in whole or in part, by Franchisor, Franchisor's Affiliates, or an existing Angry Crab Shack franchisee, or (B) any location with respect to which Franchisor or any of Franchisor's Affiliates has entered into a contract (including a franchise agreement) with respect to the future operation of an Angry Crab Shack.

c. Guarantor may not, during the term of this Guaranty and for the one-year period after the expiration or termination of this Guaranty for any reason, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a Competing Business at: (i) the location of Franchisee's Angry Crab Shack; (ii) at any location within Franchisee's Development Area; or (iii) within a 3-mile radius of: (A) any Angry Crab Shack previously or presently owned, in whole or in part, by Franchisor, Franchisor's Affiliates, or an

existing Angry Crab Shack franchisee, or (B) any location with respect to which Franchisor or any of Franchisor's Affiliates has entered into a contract (including a franchise agreement) with respect to the future operation of an Angry Crab Shack.

d. For purposes of this Section 3, a business will be deemed a Competing Business if 15% of its gross sales are derived from the marketing or sale of seafood or Cajun style offerings and related appetizers and desserts.

4. Use of Name and Likeness. Franchisor will be entitled to use the name, likeness and voice of Guarantor for purposes of promoting the franchise, Franchisor and its products, including, without limitation, all photos and audio and video recordings, and Guarantor hereby irrevocably consents thereto. Guarantor acknowledges that Franchisor will own all right, title and interest, to the extent allowed by law, in all rights of integrity, disclosure and publication and any other rights that may be known as or referred to as "moral rights," "artist's rights," "publicity rights" or the like associated with such photos and audio and video recordings, and assigns and transfers unto Franchisor the full and exclusive right, title, and interest to such publicity rights.

5. Innovations. Guarantor may conceive, invent, create, design and/or develop various ideas, techniques, methods, processes and procedures, recipes, formulae, products, packaging or other concepts and features relating to the manufacturing, production, marketing and sale of seafood and Cajun style offerings as well as other authorized food and beverages and related appetizers and desserts or other similar products added to Franchisor's menu and related goods in connection with the Franchised Business (the "Innovations"). Guarantor assigns any and all of its rights, title and interest in the Innovations, including, without limitation, any intellectual property rights, to Franchisor, and also agrees to cooperate with Franchisor and its counsel in the protection of the Innovations, including, without limitation, the perfecting of title thereto.

6. Copyrights; Works-for-Hire; Solicitation. All advertising and promotional materials generated by or for Franchisee or its officers, managers, or employees for the Franchised Business will be deemed a work-made-for-hire, and all ownership rights, including, without limitation, any copyrights, in such advertising and promotional materials are hereby assigned to Franchisor. In addition, Guarantor will cooperate in the protecting any items or materials suitable for copyright protection by Franchisor. Guarantor must not solicit other franchisees, or use the lists of franchisees, for any commercial or other purpose other than purposes directly related to the operation of the Franchised Businesses.

7. Guaranty of Payment. This is a guaranty of payment and not of collection. This Guaranty will remain in full force and effect until all amounts payable by Guarantor shall have been validly, finally and irrevocably paid in full and all obligations to be performed by Guarantor shall have been validly, finally and irrevocably performed in full.

8. Waiver. Guarantor hereby waives all requirements as to presentment for payment, protest, diligence and demand and notice of acceptance, default, protest, demand, dishonor and nonpayment, and all benefits and requirements of Arizona Revised Statutes Section 12-1641, et seq., and Rule 17(f) of the Arizona Rules of Civil Procedure for the Superior Courts of Arizona, which describe certain rights and obligations among guarantors, debtors and creditors, if applicable. This Guaranty will not be affected in any way by (a) the absence of any action to obtain such amounts from Franchisee or any other guarantor or indemnitor or of any recourse to any security for such amounts or (b) any extension, waiver, compromise or release of any or all of the obligations of Franchisee or any guarantor.

9. Subrogation. Guarantor hereby agrees that he will not exercise any rights of subrogation which he may acquire due to any payment or performance of the obligations of Franchisee pursuant to this Guaranty unless and until all amounts payable to Franchisor or its Affiliates, and all obligations for the benefit of Franchisor or its Affiliates, shall have been validly, finally and irrevocably paid and performed in full.

10. Reasonable Restraints; Remedies. Guarantor acknowledges that the covenants contained in this Guaranty (including, without limitation, the territorial and time restraints) are reasonable and necessary and agrees that his failure to adhere strictly to the restrictions contained herein will cause substantial and irreparable damage to Franchisor, Franchisee and to Franchisor's other franchisees. In the event of any breach by Guarantor of any of the terms of this Guaranty, Franchisor and/or Franchisee will be entitled to institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Guaranty and to pursue any other remedy to which Franchisor and/or Franchisee may be entitled. Guarantor agrees that the rights conveyed by this Guaranty are of a unique and special nature and that Franchisor's and Franchisee's remedy at law for any breach would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding which may be brought to enforce any provision hereof, without the necessity of posting bond therefor or proof of actual damages.

11. Enforceability. If the scope of any restriction contained in this Guaranty is too broad to permit the enforcement of such restriction to its fullest extent, then such restriction will be enforced to the maximum extent permitted by law, and Guarantor hereby consents and agrees that such scope may be judicially limited or modified accordingly in any proceeding brought to enforce such restriction. Each covenant contained in this Guaranty is independent and severable and, to the extent that any such covenant shall be declared by a court of competent jurisdiction to be illegal, invalid or unenforceable, such declaration will not affect the legality, validity or enforceability of any other provision contained herein or the legality, validity or enforceability of such covenant in any other jurisdiction.

12. No Waiver. No failure or delay on the part of Franchisor or its Affiliates in exercising its rights hereunder will operate as a waiver of, or impair, any such right. No single or partial exercise of any such right will preclude any other or further exercise thereof or the exercise of any other right. No waiver of any such right will be effective unless given in writing, specifying with particularity the nature of the waiver. No waiver of any such right will be deemed a waiver of any other right hereunder. The rights provided for herein are cumulative and are not exclusive of any other rights, powers, privileges, or remedies provided by law.

13. Attorneys' Fees. Guarantor will pay reasonable attorneys' fees and expenses and all other costs and expenses that may be incurred by Franchisor or its Affiliates in connection with enforcing this Guaranty.

14. Arizona Law to Govern; Jurisdiction; Right to Jury Trial and Class Action Waived; Certain Damages Waived; Statute of Limitations. This Guaranty will be governed by, and construed and enforced in accordance with, the law of Arizona, regardless of any conflict-of-law provisions to the contrary. Each party agrees that any litigation between the parties will be commenced and maintained only in the courts located where our principal offices are located and each party consents to the jurisdiction of those courts; provided, however, that Franchisor may seek to obtain injunctive relief in any court that Franchisor may select.

15. WAIVER OF CERTAIN DAMAGES AND JURY TRIAL. GUARANTOR HEREBY WAIVES THE RIGHT TO A JURY TRIAL, WAIVES THE RIGHT TO INITIATE OR PARTICIPATE IN A CLASS ACTION IN ANY FORUM, INCLUDING, WITHOUT LIMITATION, ARBITRATION, AND WAIVES THE RIGHT TO SEEK OR COLLECT PUNITIVE, CONSEQUENTIAL AND SPECIAL DAMAGES IN ANY FORUM, INCLUDING, WITHOUT LIMITATION, ARBITRATION. NOTWITHSTANDING ANYTHING CONTAINED IN THIS GUARANTY TO THE CONTRARY, GUARANTOR AGREES THAT ANY CLAIMS UNDER, ARISING OUT OF OR RELATED TO THIS GUARANTY MUST BE BROUGHT WITHIN TWO YEARS OF THE DATE ON WHICH THE UNDERLYING CAUSE OF ACTION ACCRUED, AND GUARANTOR HEREBY WAIVES ANY RIGHT TO BRING ANY SUCH ACTION AFTER SUCH TWO-YEAR PERIOD.

16. Binding Nature of Agreement. This Guaranty will be binding upon Guarantor and his respective successors, heirs and assigns and will inure to the benefit of Franchisor, its Affiliates and their respective successors and assigns.

17. Joint and Several. If more than one person signs this Guaranty as a Guarantor, his, her or its obligation will be joint and several.

18. Entire Agreement; Amendment. This Guaranty contains the entire agreement and understanding between the parties with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements, understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof. The express terms hereof control and supersede any course of performance or usage of the trade inconsistent with any of the terms hereof. This Guaranty may not be modified or amended other than by an agreement in writing signed by each of the parties. The provisions of Section 19 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.

19. Date of Franchise Agreement: \_\_\_\_\_

Printed Name(s) of Guarantor(s): \_\_\_\_\_

Name of Franchisee: \_\_\_\_\_

**EXECUTED** as of \_\_\_\_\_

Name: \_\_\_\_\_  
(Print Name)

Name: \_\_\_\_\_  
(Print Name)

Executed by: \_\_\_\_\_  
(Sign Name)

Executed by: \_\_\_\_\_  
(Sign Name)

**CONSENT OF SPOUSE**

The undersigned spouse of a party to the foregoing Agreement to be Bound and to Guarantee (the "Agreement") confirms that he/she has read the Agreement, understands it, consents, and agrees to the terms of the Agreement.

Dated \_\_\_\_\_

Name: \_\_\_\_\_  
(Print Name)

Name: \_\_\_\_\_  
(Print Name)

Executed by: \_\_\_\_\_  
(Sign Name)

Executed by: \_\_\_\_\_  
(Sign Name)

**Exhibit E to Franchise Disclosure Document  
Franchisor's Authorization to Draw Drafts Against Franchisee's Account(s)**

**AUTHORIZATION TO HONOR CHECKS DRAWN BY AND PAYABLE TO:**

**ANGRY CRAB FRANCHISE, LLC (THE "PAYEE")**

1. Bank Account in the Name of:
2. Store #:
3. Bank Account Number:
4. Routing Number:

To The Bank Designated:

You are hereby requested and authorized to honor and to charge to the account described checks drawn on such account which are payable to the above named Payee. The name(s) of the depositor(s) on such checks will be printed by standard business machines. It is agreed that your rights with respect to each such check shall be the same as if it bore a signature authorized for such account. It is further agreed that if any such check is not honored, whether with or without cause you shall be under no liability whatsoever. This authorization shall continue in force until revocation in writing is received by you.

- 5. Date: \_\_\_\_\_
- 6. Name of Franchisee (please print): \_\_\_\_\_  
 Type of Business: \_\_\_\_\_  
 Executed by: \_\_\_\_\_
- 7. Full Name of Bank: \_\_\_\_\_
- 8. Street Address: \_\_\_\_\_
- 9. City, State & Zip Code: \_\_\_\_\_

**Indemnification Agreement**

To The Bank Designated:

In consideration of your compliance with the request and authorization printed on the Authorization Form hereof, the Payee agrees with respect to any such action:

To indemnify you and hold you harmless from any loss you may suffer as a consequence of your actions resulting from or in connection with the execution and issuance of any check, draft or order, whether or not genuine, purporting to be executed by the Payee and received by you in the regular course of business for the purpose of payment, including any costs or expenses reasonably incurred in connection therewith.

To indemnify you for any loss arising in the event that any such check, draft or order shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

To defend at our own cost and expense any action which might be brought by any depositor or any other persons because of your actions taken pursuant to the foregoing request, or in any manner arising by reason of your participation.

NOTICE TO FRANCHISEE:	1. ATTACH ONE VOIDED CHECK HERE.
	2. BE SURE ALL 9 SPACES SHOWN ABOVE ARE COMPLETED.
	3. RETURN ALL THREE COPIES IMMEDIATELY.

**Exhibit F to Franchise Disclosure Document  
Form of General Release**

**GENERAL RELEASE**

**THIS GENERAL RELEASE** (“Release”) is executed on \_\_\_\_\_ by \_\_\_\_\_ (“Franchisee”) and \_\_\_\_\_ (“Guarantors”) as a condition of [PICK ONE]: the transfer of an Angry Crab Shack between Franchisee and Angry Crab Franchise, LLC (“ACS”) [or] renewal of the Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) between Franchisee and ACS [or] between Franchisee and a new franchisee [or] the termination of the Angry Crab Shack Agreement dated \_\_\_\_\_ (“Franchise Agreement”) between Franchisee and ACS.

1. **Release by Franchisee and Guarantors.** Franchisee (if Franchisee is an entity, on behalf of itself and its parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities and, if Franchisee is an individual, on behalf of himself/herself and his/her heirs, representatives, successors and assigns) and Guarantors (on behalf of themselves and their respective heirs, representatives, successors and assigns) (collectively, “Franchisee Releasers”) freely and without any influence forever release and covenant not to sue ACS and its parent, subsidiaries and affiliates and their respective past and present officers, directors, members, shareholders, agents and employees, in their corporate and individual capacities, (collectively “ACS Releasees”) with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, “Claims”), which any Franchisee Releaser ever owned or held, now owns or holds or may in the future own or hold, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to the Franchise Agreement and all other agreements between any Franchisee Releaser and any ACS Releasee, arising out of, or relating to any act, omission or event occurring on or before the date of this Release, unless prohibited by applicable law.

IF FRANCHISEE OR GUARANTORS ARE BASED IN CALIFORNIA: Franchisee and Guarantors (on behalf of the Franchisee Releasers) expressly agree that, with respect to this release, any and all rights granted under Section 1542 of the California Civil Code are expressly waived, to the extent applicable. That Section reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

2. **Risk of Changed Facts.** Franchisee and Guarantors understand that the facts in respect of which the Release in Section 1 above is given may turn out to be different from the facts now known or believed by them to be true. Franchisee and Guarantors hereby accept and assume the risk of the facts turning out to be different and agree that the Release shall nevertheless be effective in all respects and not subject to termination or rescission by virtue of any such difference in facts.

3. **No Prior Assignment.** Franchisee and Guarantors represent and warrant that the Franchisee Releasers are the sole owners of all Claims and rights released hereunder and that the Franchisee Releasers have not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim released under Section 1 above.

4. **Covenant Not to Sue.** Franchisee and Guarantors (on behalf of the Franchisee Releasers) covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or

by way of cross-claim, defense, or counterclaim, against any person or entity released under Section 1 above with respect to any Claim released under Section 1 above.

5. **Complete Defense.** Franchisee and Guarantors: (A) acknowledge that this Release shall be a complete defense to any Claim released under Section 1 above; and (B) consent to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

6. **Successors and Assigns.** This Release will inure to the benefit of and bind the successors, assigns, heirs, and personal representatives of ACS and each Franchisee Releasor.

7. **Governing Law.** This Release and all claims relating to this Release shall be governed by and construed under the law of the State of Arizona. ACS, Franchisee, and Guarantor shall file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where ACS's principal offices are located. ACS may file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where its principal offices are located, where Franchisee or Guarantors reside or do business, or where the claim arose.

8. **Miscellaneous.**

A. This Release constitutes the entire, full, and complete agreement between the parties concerning the release of Claims by the parties and supersedes any and all prior or contemporaneous negotiations, discussions, understandings, or agreements. Except as expressly identified in this Release, no amendment, change or variance from this Release shall be binding on either party unless mutually agreed to by the parties and executed in writing.

B. The masculine gender shall be deemed to refer to and include the feminine and neuter, and the singular to refer to and include the plural, and vice versa.

C. The terms of this Release shall remain confidential and may not be disclosed except when and to the extent necessary to comply with applicable federal, state, or local laws, court orders, or regulations.

D. All terms not defined in this Release shall have the meaning given to them in the Franchise Agreement.

E. All captions in this Release are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision of this Release.

F. This Release may be executed in counterparts, and each copy so executed and delivered shall be deemed to be an original.

[SIGNATURE ON FOLLOWING PAGE]



**IN WITNESS WHEREOF**, Franchisee and Guarantors have executed this Release as of the date shown above.

**FRANCHISEE:**

(IF FRANCHISEE IS AN ENTITY)

\_\_\_\_\_  
Signature

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

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

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

**GUARANTOR:**

\_\_\_\_\_  
Signature

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

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

**GUARANTOR:**

\_\_\_\_\_  
Signature

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

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

**GUARANTOR:**

\_\_\_\_\_  
Signature

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

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

**LEASE ADDENDUM**

THIS LEASE ADDENDUM is entered into this \_\_\_\_\_, among Angry Crab Franchise LLC, an Arizona limited liability company with its principal office at 2345 South Alma School Road Suite 106, Mesa, Arizona 85210 ("Franchisor" or "Assignee"); \_\_\_\_\_ with its principal office at \_\_\_\_\_ ("Landlord"); and with \_\_\_\_\_ with its principal office at \_\_\_\_\_ ("Lessee" or "Assignor").

**WHEREAS**, Landlord has agreed to lease to premises located at \_\_\_\_\_ (the "Premises") for use by Lessee as an Angry Crab Shack restaurant ("Franchised Business") operated under Franchisor's system and proprietary marks under a written Franchise Agreement between Franchisor and Lessee as franchisee ("Franchise Agreement");

**WHEREAS**, Under the terms of the Franchise Agreement, all right, title and interest in the lease and this Addendum ("Lease") must be transferred to Franchisor, if Franchisor, in its sole and absolute right, exercises any option to purchase the assets of the Franchised Business contained in the Franchise Agreement.

**WHEREAS**, it is the intent of the parties to provide Franchisor with the opportunity to preserve the Premises as a Franchised Business in case of any expiration or termination of the franchise granted in the franchise agreement and to assure Landlord that any defaults under the Lease will be cured before Franchisor takes possession of the Premises; and

**WHEREAS**, Lessee and Franchisor wish to preserve their rights under the Franchise Agreement as to the Premises, including Franchisor's right to enter and/or take possession of the Premises to enforce Franchisor's rights on Lessee's default under the Lease or the Franchise Agreement.

In consideration of the recitals above and of the terms below, the parties agree:

1. **Default of Lessee under Lease.** Landlord will give Franchisor notice of any default or termination of the Lease concurrently with giving notice to Lessee. If Lessee fails to cure any default within the period provided in the Lease, Landlord will give Franchisor immediate written notice of the failure to cure and Landlord will offer to Franchisor and Franchisor will have the sole and absolute right (but not the obligation), either to cure the default and preserve Lessee's interest in the Premises and in the Lease, or to accept an assignment of the Lease or a new lease containing the same terms of the Lease, as Franchisor elects. If Franchisor elects to continue the use of the Premises under an assignment of the Lease or a new lease, it will so notify Landlord in writing within 30 days after it has received written notice from Landlord specifying the default(s) Lessee has failed to cure within the period specified in the Lease. On receipt of that notice from Franchisor, Landlord will promptly execute and deliver to Franchisor an assignment of the Lease or a new lease, whichever Franchisor requests, and will promptly deliver to Franchisor possession of the Premises, free and clear of any rights of Lessee or any third party. Franchisor, before taking possession of the Premises, will cure the default(s) specified by Landlord in its notice to Franchisor and will execute and deliver to Landlord its acceptance of the assignment of Lease or of a new lease, as the case may be.

2. **Relationship to Franchise Agreement.** Landlord acknowledges that the Lease and/or any new or amended lease executed by the parties will be subject to and not inconsistent with the Franchise Agreement. For example, Landlord must permit Franchisor's entry onto the Premises for the purpose of enforcing Franchisor's rights under the Franchise Agreement or for routine visits.

3. **Use or Assignment of Premises.** The parties agree that the Premises must only be used for the operation of the Franchised Business, and that Lessee may not sublease or assign all or any part of its occupancy rights without Franchisor's prior written approval.
4. **Obligations of Franchisor.** The parties acknowledge that the Lease does not create any rights against or obligations of Franchisor unless specifically stated in this Addendum.
5. **Display of Marks.** Landlord agrees that Lessee and/or Franchisor may display Franchisor's and/or its licensor's marks according to Franchisor's specifications as modified from time to time by Franchisor in its sole and absolute right, subject to the provisions of applicable law and community standards.
6. **Right to Information.** Landlord agrees to provide to Franchisor, on request, information regarding the Franchised Business or the Lease, including any information furnished to Landlord by Lessee.
7. **Delivery of Lease; Franchisor's Prior Written Approval.** Landlord and Lessee agree to deliver the Lease in executed form to Franchisor within 5 days after execution.
8. **Waiver.** Failure of Franchisor to enforce or exercise any of its rights under this Addendum will not constitute a waiver of those rights or a waiver of any subsequent enforcement or exercise of its rights under this Addendum.
9. **Execution of Documents.** The parties agree to execute all documents or agreements and to take all action as may be necessary or desirable to effectuate the terms of this Addendum.
10. **Amendment of Lease.** Landlord and Lessee agree not to amend, modify or waive the terms of the Lease in any respect that would adversely affect Franchisor's rights without the prior written consent of Franchisor.
11. **Vacation of Premises.** Lessee agrees to peaceably and promptly vacate the Premises and to remove its personal property on the repurchase, termination, or expiration of the Franchise Agreement or on Lessee's failure to timely cure defaults under the Lease. Any property not so removed within 10 days after Lessee vacates the Premises will be deemed abandoned.
12. **Lessee's Liability.** Lessee will remain liable for all of its obligations under the Lease regardless of the assignment of the Lease to Franchisor or the execution of a new lease between Franchisor and Landlord, and Franchisor will be entitled to recover from Lessee all amounts it has paid to Landlord to cure any default(s) by Lessee under the Lease.
13. **Notices.** All notices will be mailed by certified mail to the addresses described in this Addendum or to such other addresses as the parties may, by written notice, designate. Such notices will be deemed to be given 3 days after being mailed.
14. **Binding Effect.** This Addendum will be binding on the parties, their heirs, executors, successors, assigns and legal representatives.
15. **Severability.** If any provision of this Addendum or any part is declared invalid by any court of competent jurisdiction, the provision will not affect the validity of this Addendum and the remainder of this Addendum will remain in effect according to the terms of the remaining provisions or parts of provisions of this Addendum.
16. **Remedies.** The rights and remedies created under this Addendum will be deemed cumulative and none of the rights or remedies will be exclusive at law or in equity of the rights and remedies which Franchisor may have under this Addendum or any other agreement to which Franchisor and Lessee are parties.

17. **Attorneys' Fees.** If any action is instituted by any party to enforce any provision of this Addendum, the prevailing party will be entitled to recover its reasonable attorneys' fees and costs incurred in the action.

18. **Construction.** This Addendum will be governed by and interpreted under the laws of Arizona without application of the choice of law provisions of Arizona or any other jurisdiction.

Each of the undersigned agrees to the terms of this Addendum, effective the day and year first above written.

**LESSOR:**

\_\_\_\_\_

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

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

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

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

**FRANCHISEE (ASSIGNOR):**

\_\_\_\_\_

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

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

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

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

**FRANCHISOR (ASSIGNEE):**

\_\_\_\_\_

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

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

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

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

**Exhibit H to Franchise Disclosure Document  
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**CONFIDENTIAL OPERATIONS MANUAL**

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**Exhibit I to Franchise Disclosure Document  
State Specific Disclosures and Addenda to Franchise Agreement and Development Agreement**

**STATE SPECIFIC DISCLOSURES**

**FOR MICHIGAN RESIDENTS AND FRANCHISEES WHOSE  
FRANCHISES WILL BE OPERATED IN MICHIGAN ONLY**

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

1. A prohibition on the right of a franchisee to join an association of franchisees.

A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in the Michigan Investment Law. This shall not preclude a franchisee, after entering into a franchise agreement, from setting any and all claims.

A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

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 and equipment, fixtures and furnishings not reasonably required in the conduct of the Franchised Business are not subject to compensation. This paragraph applies only if: (a) the term of the franchise is less than 5 years and (b) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

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 paragraph does not require a renewal provision.

A provision requiring that arbitration or litigation be conducted outside the State of Michigan. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside the State of Michigan.

A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This paragraph 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:

The failure of the proposed Transferee to meet the Franchisor's then current reasonable qualifications or standards.

The fact that the proposed Transferee is a competitor of the Franchisor or subfranchisor.

The unwillingness of the proposed Transferee to agree in writing to comply with all lawful obligations.

The failure of the franchisee or proposed Transferee to pay any sums owing to the Franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

A provision that requires the franchisee to resell to the Franchisor items that are not uniquely identified with the Franchisor. This paragraph 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 paragraph 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 paragraph 3 above.

A provision which permits the Franchisor to directly or indirectly convey, assign or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

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

**Any questions regarding this notice should be directed to the Michigan Consumer Protection Division of the Department of the Attorney General, whose address is 70 Law Building, Lansing, Michigan 48913 and whose telephone number is (517) 373-7117.**

#### **ADDITIONAL FRANCHISE DOCUMENT DISCLOSURE REQUIRED BY THE STATE OF HAWAII**

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

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

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

Registered agent in the state authorized to receive service of process: Commissioner of Securities, Department of Commerce and Consumer Affairs, Business Registration Division, Securities Compliance Branch, 335 Merchant Street, Room 203, Honolulu, Hawaii 96813.

Payment of Initial Franchise Fees will be deferred until Franchisor has met its initial obligations, and franchisee has commenced doing business. This financial assurance requirement was imposed by the State of Hawaii, Department of Commerce and Consumer Affairs due to Franchisor's financial condition.

## **ADDITIONAL FRANCHISE DOCUMENT DISCLOSURE REQUIRED BY THE STATE OF ILLINOIS**

1. Cover Page, Risk Factors. The following statement is added at the end of the first Risk Factor:

SECTION 4 OF THE ILLINOIS FRANCHISE DISCLOSURE ACT PROVIDES THAT ANY PROVISION IN A FRANCHISE AGREEMENT WHICH DESIGNATES JURISDICTION OR VENUE IN A FORUM OUTSIDE OF ILLINOIS IS VOID. HOWEVER, A FRANCHISE AGREEMENT MAY PROVIDE FOR ARBITRATION IN A VENUE OUTSIDE OF ILLINOIS.

The following statement is added at the end of the second Risk Factor:

NOTWITHSTANDING THE FOREGOING, ILLINOIS LAW SHALL GOVERN THE FRANCHISE AGREEMENTS.

2. Item 5, Initial Fees. The following statement is added to Item 5:

Payment of Initial Franchise Fees will be deferred until Franchisor has met all of its initial obligations to Franchisee, and Franchisee has commenced doing business. This financial assurance requirement was imposed by the Illinois Attorney General's Office due to Franchisor's current financial condition.

3. Item 17, Additional Disclosures. The following statements are added to Item 17:

The Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside of Illinois is void with respect to any action which is otherwise enforceable in Illinois. However, a franchise agreement may provide for arbitration in a venue outside of Illinois.

The Illinois Franchise Disclosure Act requires that Illinois law apply to any claim arising under the Illinois Franchise Disclosure Act.

The conditions under which your Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to these Additional Disclosures. The Additional Disclosures shall have no force or effect if such jurisdictional requirements are not met.

4. Item 19 in the Disclosure Document contains 2 charts showing Net Sales before and after the onset of the COVID-19 pandemic. Review Item 19 with care.

5. For info about obtaining a liquor license in Illinois, see:

<https://www2.illinois.gov/ilcc/Pages/Forms-and-Applications.aspx>

6. For info about obtaining TIPS certification. in Illinois, see:

<https://www.tipscertified.com/tips-state-pages/illinois/>

7. For info on becoming ServSafe certified in Illinois, see the following link:

<https://cms9staging.servsafe.com/Downloads/PDFs/ssa-guides/Illinois.aspx>

8. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDITIONAL FRANCHISE DOCUMENT DISCLOSURE  
REQUIRED BY THE STATE OF MARYLAND**

Item 10, Financing. The following sentence is added to Item 10:

The General Release that must be granted in conjunction with the Loan Agreement shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Item 17, Additional Disclosures. The following statements are added to Item 17:

Any provision requiring you to sign a general release of claims against ANGRY CRAB, including upon signing the franchise and renewal or transfer, does not release any claim you may have under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to these Additional Disclosures. The Additional Disclosures shall have no force or effect if such jurisdictional requirements are not met.

**ADDITIONAL FRANCHISE DOCUMENT DISCLOSURE  
REQUIRED BY THE STATE OF MINNESOTA**

1. Cover Page and Item 17, Choice of Forum and Law. The following statement is added to the cover page and Item 17:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document, the Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the relevant Minnesota statute are met independently without reference to the Additional Disclosures.

2. Item 17, Termination. The following statement is added to Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, Subdivisions 3, 4, and 5 which requires, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) of the Franchise Agreement and 180 days' notice for non-renewal of the Franchise Agreement.

3. Item 17, General Release. The following statement is added to Item 17:

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01- 80C.22.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the relevant Minnesota statute are met independently without reference to the Additional Disclosures. The Additional Disclosures shall have no force or effect if such jurisdictional requirements are not met.

4. Minn. Stat. Sec. 80C.21 may prohibit us from requiring litigation to be conducted outside Minnesota. In addition, as provided for in Minn. Rule 2860.4400J, nothing in the Franchise Disclosure Document or Franchise Agreement requires a franchisee to waive any of his or her rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or, to consent to liquidated damages, termination penalties, or judgment. The franchisee cannot consent to the Franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

5. The Franchise Disclosure Document and Franchise Agreement are amended to state that we will comply with Minnesota Statute 80C.17 subdivisions 5, Limitation on actions. No action may be commenced pursuant to this section more than three years after the cause of action accrues.

#### **ADDITIONAL FRANCHISE DOCUMENT DISCLOSURE REQUIRED BY THE STATE OF NEW YORK**

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

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3: Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national

securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

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

4. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”: You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”:

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

#### **ADDITIONAL FRANCHISE DOCUMENT DISCLOSURE REQUIRED BY THE STATE OF RHODE ISLAND**

Item 17, Additional Disclosure. The following statement is added to Item 17:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

The provision of this Additional Disclosure shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Law are met independently without reference to this Additional Disclosure. The Additional Disclosure shall have no force or effect if such jurisdictional requirements are not met.

#### **ADDITIONAL FRANCHISE DOCUMENT DISCLOSURE REQUIRED BY THE STATE OF WASHINGTON**

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

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

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



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

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

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

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

The following sentence is added to Item 5 of the Franchise Disclosure Document and the end of Section 6.1 of the Franchise Agreement

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

The State of Washington has imposed a financial condition under which the initial franchise fees due will be deferred until the franchisor has fulfilled its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business. Because the Franchisor has material pre-opening obligations with respect to each franchised business the Franchisee opens under the Development Agreement, the State of Washington will require that the franchise fees be released proportionally with respect to each franchised business.

The franchisor [uses/may use] the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

**STATE SPECIFIC ADDENDUM TO THE ANGRY CRAB FRANCHISE AGREEMENT AND  
DEVELOPMENT AGREEMENT**

**ADDENDUM TO FRANCHISE AGREEMENT  
REQUIRED FOR HAWAII FRANCHISEES**

Payment of Initial Franchise Fees will be deferred until Franchisor has met its initial obligations, and franchisee has commenced doing business. This financial assurance requirement was imposed by the State of Hawaii, Department of Commerce and Consumer Affairs due to Franchisor's financial condition.

**ANGRY CRAB FRANCHISE, LLC, an      FRANCHISEE**  
**Arizona limited liability company.**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

**ADDENDUM TO DEVELOPMENT AGREEMENT  
REQUIRED FOR HAWAII FRANCHISEES**

AGREEMENT, dated as of the date set forth at the end of this Agreement, by and between ANGRY CRAB SHACK, LLC, an Arizona limited liability company ("Franchisor"), and the franchisee identified at the end of this Agreement ("Franchisee").

That certain Development Agreement, dated as of the date hereof, by and between Franchisor and Franchisee, is amended as follows:

1. The following language is added to the Development Agreement.

Payment of Initial Franchise Fees will be deferred, on a location per location basis, until Franchisor has met its initial obligations with respect to a particular location and franchisee has commenced doing business at that particular location. This financial assurance requirement was imposed by the State of Hawaii, Department of Commerce and Consumer Affairs due to Franchisor's financial condition.

The undersigned does hereby acknowledge receipt of this Addendum.

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused this Agreement to be executed, as of \_\_\_\_\_.

**ANGRY CRAB FRANCHISE, LLC, an FRANCHISEE**  
**Arizona limited liability company**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

**ADDENDUM TO FRANCHISE AGREEMENT  
REQUIRED FOR ILLINOIS FRANCHISEES**

This Addendum to Angry Crab Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) between ANGRY CRAB FRANCHISE, LLC (“ANGRY CRAB”) and \_\_\_\_\_ (“You”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: (A) the offer or sale of the franchise to you was made in the State of Illinois; (B) you are a resident of the State of Illinois; and/or (C) the Franchised Business will be located or operated in the State of Illinois.

2. The following sentence is added at the end of Section 8(a):

Payment of Initial Franchise Fees will be deferred until Franchisor has met all of its initial obligations to Franchisee, and Franchisee has commenced doing business. This financial assurance requirement was imposed by the Illinois Attorney General’s Office due to Franchisor’s current financial condition.

3. The following sentence is added to the end of Section 24(d):

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

4. The following sentence is added at the end of Section 29(c):

Notwithstanding the foregoing, Illinois law shall govern this Agreement.

5. The following sentence is added to the end of Section 29(d):

The Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside of Illinois is void with respect to any action which is otherwise enforceable in Illinois. However, a franchise agreement may provide for arbitration in a venue outside of Illinois.

6. The following sentence is added at the end of Section 29(g).

Section 27 of the Illinois Franchise Disclosure Act provides that causes of action under the Act must be brought within the earlier of: 3 years of the violation, 1 year after the franchisee becomes aware of the underlying facts or circumstances or 90 days after delivery to the franchisee of a written notice disclosing the violation.

7. Your rights upon termination and non-renewal of a Franchise Agreement are set forth Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Franchise Agreement.

8. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

The Illinois Franchise Disclosure Act requires that Illinois law apply to any claim arising under the Illinois Franchise Disclosure Act.

9. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

**ANGRY CRAB FRANCHISE, LLC, an  
Arizona limited liability company**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

**ADDENDUM TO DEVELOPMENT AGREEMENT  
REQUIRED FOR ILLINOIS FRANCHISEES**

This Addendum to Angry Crab Development Agreement dated \_\_\_\_\_ (“Franchise Agreement”) between ANGRY CRAB FRANCHISE, LLC (“ANGRY CRAB”) and \_\_\_\_\_ (“You”) is entered into simultaneously with the execution of the Franchise Agreement.

Illinois Law governs the agreements between the parties to this franchise.

Payment of Initial Development Fees will be deferred until Franchisor has met its initial obligations, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor’s financial condition.

The Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside of Illinois is void with respect to any action which is otherwise enforceable in Illinois. However, a franchise agreement may provide for arbitration in a venue outside of Illinois.

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

Your rights upon termination and non-renewal of a Franchise Agreement are set forth Sections 19 and 20 of the Illinois Franchise Disclosure Act.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**ANGRY CRAB FRANCHISE, LLC, an FRANCHISEE**  
**Arizona limited liability company**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

**ADDENDUM TO FRANCHISE AGREEMENT  
REQUIRED FOR MARYLAND FRANCHISEES**

This Addendum to Angry Crab Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) between ANGRY CRAB FRANCHISE, LLC (“ANGRY CRAB”) and \_\_\_\_\_ (“you” or “Franchisee”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: (A) the offer or sale of a franchise to you was made in the State of Maryland; (B) you are a resident of the State of Maryland; (C) part or all of the Franchise Territory is located in the State of Maryland; and/or (D) the Franchised Business will be located or operated in the State of Maryland.

2. The following sentence is added to the end of Sections 13(e)(iv) and 14(b)(v):

This release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. The following sentence is added to the end of Section 29(c):

Notwithstanding the foregoing, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. The following sentence is added to the end of Section 29(e):

Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Representations in this Agreement are not intended to, nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

5. The following sentence is added to the end of Section 29(h):

This limitation of claims provision shall not act to reduce the 3 year statute of limitations afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law, which claim must be brought within 3 years after the grant of the franchise.

6. Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Franchise Agreement.

7. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.



**IN WITNESS WHEREOF**, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

**ANGRY CRAB FRANCHISE, LLC, an  
Arizona limited liability company**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

**ADDENDUM TO FRANCHISE AGREEMENT  
REQUIRED FOR MINNESOTA FRANCHISEES**

This Addendum to Angry Crab Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) between ANGRY CRAB FRANCHISE, LLC (“ANGRY CRAB”) and \_\_\_\_\_ (“you”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being executed because: (A) the offer or sale of a franchise to you was made in the State of Minnesota; (B) you are a resident of the State of Minnesota; and/or (C) the Franchised Business will be located or operated in the State of Minnesota.

2. The following sentence is added to the end of Section 7:

Notwithstanding the foregoing, we will indemnify you against liability to a third party resulting from claims that your use of a Mark infringes trademark rights of a third party; provided that we will not indemnify against the consequences of your use of the Marks unless the use is in accordance with the requirements of this Agreement and the System.

3. The following sentence is added to the end of Sections 13(e)(iv) and 14(b)(v):

Notwithstanding the foregoing, you will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01- 80C.22.

4. The following sentence is added to the end of Section 14(b):

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, Subdivision 3, 4, and 5 which requires, except in certain cases, that a franchisee be given 180 days’ notice for non-renewal of the Franchise Agreement.

5. The following sentence is added to the end of Section 16:

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute §80C.14, Subdivision 3, 4, and 5 which requires, except in certain cases, that you be given 90 days’ notice of termination (with 60 days to cure) of the Franchise Agreement.

6. The following sentences are added to the end of Sections 29(b) and 29(d):

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

7. The franchisee cannot waive any rights. See Minn. Rule 2860.4400J. The franchisee cannot consent to the Franchisor obtaining injunctive relieve. The franchisor may seek injunctive relief. A court will determine if a bond is required.

8. Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Franchise Agreement.

9. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

**ANGRY CRAB FRANCHISE, LLC, an  
Arizona limited liability company**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

**ADDENDUM TO FRANCHISE AGREEMENT  
REQUIRED FOR NEW YORK FRANCHISEES**

This Addendum to Angry Crab Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) between ANGRY CRAB FRANCHISE, LLC (“ANGRY CRAB”) and \_\_\_\_\_ (“you”) is entered into simultaneously with the execution of the Franchise Agreement.

**NEW YORK**

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3: Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor’s principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective Rev. March 17, 2021 2 injunctive or restrictive order relating to any other business activity as a result of an action

brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”: You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”:

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

**IN WITNESS WHEREOF**, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

**ANGRY CRAB FRANCHISE, LLC, an  
Arizona limited liability company**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

**ADDENDUM TO FRANCHISE AGREEMENT  
REQUIRED FOR RHODE ISLAND FRANCHISEES**

This Addendum to Angry Crab Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) between ANGRY CRAB FRANCHISE, LLC (“ANGRY CRAB”) and \_\_\_\_\_ (“you”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of and are incorporated into the Franchise Agreement. This Addendum is being executed because: (A) the offer or sale of the franchise to you was made in the State of Rhode Island; (B) you are a resident of the State of Rhode Island; and/or (C) the Franchised Business will be located or operated in the State of Rhode Island.

2. The following language is added to Sections 29(c) and 29(d):

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

3. Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Franchise Agreement.

4. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

**ANGRY CRAB FRANCHISE, LLC, an  
Arizona limited liability company**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

## **WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT, DEVELOPMENT AGREEMENT AND RELATED AGREEMENTS.**

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

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

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

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

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

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

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

The State of Washington has imposed a financial condition under which the initial franchise fees due will be deferred until the franchisor has fulfilled its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business. Because the Franchisor has material pre-opening obligations with respect to each franchised business the Franchisee opens under the Development Agreement, the State of Washington will require that the franchise fees be released proportionally with respect to each franchised business.

The following sentence is added to Item 5 of the Franchise Disclosure Document and the end of Section 6.1 of the Franchise Agreement

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

The undersigned does hereby acknowledge receipt of this addendum.

**ANGRY CRAB FRANCHISE, LLC, an  
Arizona limited liability company**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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



**Exhibit J To Franchise Disclosure Document  
Financial Statements**

**Audited Financial Statements for fiscal years ending  
December 31, 2020, December 31, 2021, and December 31, 2022**



**CliftonLarsonAllen LLP**  
20 East Thomas Road, Suite 2300  
Phoenix, AZ 85012-3111

**phone 602-266-2248 fax 602-266-2907**  
**CLAconnect.com**

## **INDEPENDENT AUDITORS' ACKNOWLEDGMENT**

Angry Crab Franchise, LLC  
Mesa, Arizona

We agree to the inclusion in the Franchise Disclosure Document dated April 14, 2023, issued by Angry Crab Franchise, LLC (Franchisor) of our report dated March 28, 2023, relating to the financial statements of Angry Crab Franchise, LLC as of December 31, 2022 and 2021 and for the years then ended and to the inclusion of our report dated March 25, 2022 relating to the financial statements of Angry Crab Franchise, LLC as of December 31, 2021 and 2020 and for the years then ended.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
April 14, 2023

**ANGRY CRAB FRANCHISE, LLC**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAcconnect.com](https://CLAcconnect.com)

**ANGRY CRAB FRANCHISE, LLC  
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## INDEPENDENT AUDITORS' REPORT

Members  
Angry Crab Franchise, LLC  
Mesa, Arizona

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Angry Crab Franchise, LLC, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income and changes in members' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Angry Crab Franchise, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2022 the Company adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding lease liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
March 28, 2023

**ANGRY CRAB FRANCHISE, LLC**  
**BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 230,597	\$ 166,417
Royalties Receivable	163,279	70,692
Prepaid Expenses	43,778	42,966
Note Receivable	-	10,000
Current Portion of Deferred Franchise Costs	28,625	20,500
Total Current Assets	466,279	310,575
<b>DEFERRED FRANCHISE COSTS</b> , Net of Current Portion	194,240	144,709
<b>OPERATING RIGHT-OF-USE ASSETS</b>	69,882	-
<b>DEPOSITS</b>	23,945	23,945
Total Assets	\$ 754,346	\$ 479,229
<b>LIABILITIES AND MEMBERS' DEFICIT</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 120,421	\$ 80,387
Due to Related Party	812	16,668
Accrued Expenses	12,632	11,986
Current Portion of Deferred Franchise Revenue	94,250	76,000
Current Portion of Lease Liability - Operating	27,407	-
Total Current Liabilities	255,522	185,041
<b>LONG-TERM LIABILITIES</b>		
Deferred Franchise Revenue, Net of Current Portion	631,249	519,582
Lease Liability - Operating, Less Current Portion	44,391	-
Total Long-Term Liabilities	675,640	519,582
Total Liabilities	931,162	704,623
<b>MEMBERS' DEFICIT</b>	(176,816)	(225,394)
Total Liabilities and Members' Deficit	\$ 754,346	\$ 479,229

See accompanying Notes to Financial Statements.

**ANGRY CRAB FRANCHISE, LLC**  
**STATEMENTS OF INCOME AND CHANGES IN MEMBERS' DEFICIT**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>REVENUE</b>		
Franchise Fees	\$ 82,583	\$ 68,917
Franchise Royalties	1,029,111	730,714
Marketing Fees	251,573	179,190
Other Operating Revenue	64,279	71,715
Total Revenue	1,427,546	1,050,536
<b>OPERATING EXPENSES</b>	1,178,968	726,296
<b>NET INCOME</b>	248,578	324,240
Members' Deficit - Beginning of Year	(225,394)	(449,634)
Distributions to Members	(200,000)	(100,000)
<b>MEMBERS' DEFICIT - END OF YEAR</b>	\$ (176,816)	\$ (225,394)

See accompanying Notes to Financial Statements.



**ANGRY CRAB FRANCHISE, LLC**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$ 248,578	\$ 324,240
Reconciliation of Net Income to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	-	950
Noncash Lease Expense	1,916	-
(Increase) Decrease in Assets:		
Royalties Receivable	(92,587)	(68,245)
Prepaid Expenses	(812)	(26,986)
Notes Receivable	10,000	-
Deferred Franchise Costs	(57,656)	(5,125)
Deposits	-	(4,945)
Increase (Decrease) in Liabilities:		
Accounts Payable	40,034	86,673
Accrued Expenses	646	-
Deferred Franchise Revenue	129,917	21,083
Net Cash Provided by Operating Activities	280,036	327,645
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Distributions to Members	(200,000)	(100,000)
Repayments to Related Party	(15,856)	(88,332)
Net Cash Used by Financing Activities	(215,856)	(188,332)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	64,180	139,313
Cash and Cash Equivalents - Beginning of Year	166,417	27,104
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 230,597	\$ 166,417
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Noncash Addition to Note Receivable through Transfer of Franchise	\$ -	\$ 10,000
Right-of-Use Asset Obtained in Exchange for Lease Liability	\$ 97,501	\$ -

See accompanying Notes to Financial Statements.

**ANGRY CRAB FRANCHISE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business**

Angry Crab Franchise, LLC (the Company) was incorporated under the laws of the state of Arizona and began operations March 9, 2016. The Company is a franchisor of seafood restaurants under the Angry Crab Shack trade name.

Franchise activity for the years ended December 31 was as follows:

	2022	2021
Franchises Open January 1	10	7
Open During the Year	4	3
Closed During the Year	-	-
Franchises Open December 31	14	10

**Basis of Presentation**

The Company's financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with original maturities of 90 days or less to be cash equivalents.

**Property and Equipment**

Property and equipment is recorded at cost and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciation over the life of the lease.

**Deferred Franchise Costs**

Deferred franchise costs represent commissions that are direct and incremental to the Company and are paid in conjunction with the sale of a franchise. These costs are recognized as an expense when the respective revenue is recognized, which is generally over the term of the related franchise agreement.

**Deferred Franchise Revenue**

Deferred franchise fees represent franchise fees received that have not been fully earned and will be recognized in future periods.

**Advertising Costs**

Advertising costs include franchise sales marketing and advertising costs. These costs are expensed as incurred. Advertising costs for the periods ended December 31, 2022 and 2021 were \$67,195 and \$40,599, respectively.

**ANGRY CRAB FRANCHISE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Tax**

The Company and its members have elected to be treated as a limited liability company for income tax reporting purposes. Accordingly, the members are taxed on the Company's income. Therefore, no provision or liability for income tax is included in the financial statements.

The Company follows the income tax standard for uncertain tax positions. Under this standard, the Company has not recognized a liability for uncertain tax positions as of December 31, 2022 and 2021.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Revenue Recognition**

The Company generates revenue primarily through royalties, franchise fees, and advertising fund fees. The Company recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To determine revenue recognition for the arrangements that the Company determines are within scope of Topic 606, the Company performs the following five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Company satisfies a performance obligation.

**Royalties and Advertising Fund Revenue**

The Company collects royalties, as stipulated in the franchise agreement, currently equal to 5% of gross sales and a marketing and advertising fee currently between 1% and 2% of gross sales. Royalties, including franchisee contributions to advertising funds, are calculated as a percentage of sales over the term of the franchise agreement. The franchise agreement royalties, inclusive of advertising fund contributions, represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchisee store level sales occur. Royalties are collected weekly.

**ANGRY CRAB FRANCHISE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

Franchise Fees

The Company generally requires the entire nonrefundable initial franchise fee to be paid upon execution of a franchise agreement, which typically has an initial term of ten years. Initial franchise fees are recognized ratably on a straight-line basis over the term of the franchise agreement. The Company's services under the franchise agreement include training of franchisees and staff, site selection, the right to use trademarks and proprietary information, and ongoing operations support. From time to time, the Company may provide a financing option to franchisees and offers no guarantees on their behalf. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation.

**Adoption of New Accounting Standards**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU( 2016-02, *Leases (Topic 842)*). This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheets. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Company adopted the requirements of the guidance effective January 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB *Accounting Standards Codification* (ASC) 840.

The Company has elected to adopt the package of practical expedients available in the year of adoption. The Company also elected the practical expedient to use a risk-free discount rate for the lease calculation.

The Company elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Company recognized on January 1, 2022 a lease liability of \$97,501, which represents the present value of the remaining operating lease payments of \$99,384, discounted using the risk-free rate of approximately 1.04%, and a right-of-use asset of \$97,501.

The standard had a material impact on the balance sheets but did not have an impact on the income statements, nor statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

**ANGRY CRAB FRANCHISE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases**

The Company leases an office. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, current liabilities, and long-term lease liabilities on the balance sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As the operating lease does not provide an implicit rate, the Company uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for the lease payments is recognized on a straight-line basis over the lease term. The Company has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheets.

The Company has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**Subsequent Events**

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 28, 2023, the date the financial statements were available to be issued.

**NOTE 2 REVENUE DISCLOSURES**

**Franchising Fees, Royalty Fees, and Advertising Fund Revenue**

The franchise arrangement is documented in the form of a franchise agreement. The franchise arrangement requires the Company to perform various activities to support the brand that do not directly transfer goods and services to the franchisee, but instead represent a single performance obligation, which is the transfer of the franchise license. The intellectual property subject to the franchise license is symbolic intellectual property as it does not have significant standalone functionality, and substantially all of the utility is derived from its association with the Company's past or ongoing activities.

**ANGRY CRAB FRANCHISE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 2 REVENUE DISCLOSURES (CONTINUED)**

**Franchising Fees, Royalty Fees, and Advertising Fund Revenue (Continued)**

The nature of the Company's promise in granting the franchise license is to provide the franchisee with access to the brand's symbolic intellectual property over the term of the license. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation. The transaction price in a standard franchise arrangement primarily consists of (a) initial franchise fees, (b) continuing franchise fees (royalties), and (c) advertising fees. Since the Company considers the licensing of the franchising right to be a single performance obligation, no allocation of the transaction price is required.

**Disaggregation of Revenue**

The Company believes that the captions contained on the statements of income appropriately reflect the disaggregation of its revenue by major type for the years ended December 31, 2022 and 2021.

**NOTE 3 CONTRACT ASSETS AND CONTRACT LIABILITIES**

Contract assets and contract liabilities were as follows:

	December 31, 2022	December 31, 2021	January 1, 2021
<u>Assets</u>			
Royalties Receivable	\$ 163,279	\$ 70,692	\$ 2,447
<u>Liabilities</u>			
Deferred Franchise Revenue	\$ 725,499	\$ 595,582	\$ 564,499

**NOTE 4 RELATED PARTY TRANSACTIONS**

The Company had an amount due to an affiliate of one of the Company's members of \$812 and \$16,668 at December 31, 2022 and 2021, respectively.

Five of the Company's franchisees are partially owned by a member of the Company. Amounts due from these franchisees at December 31, 2022 and 2021 were \$154,663 and \$55,363, respectively, and royalties and franchise fees paid during the years ended December 31, 2022 and 2021 were \$725,588 and \$443,356, respectively.

The financial statements do not reflect expenses for the members' time spent on behalf of the Company or costs incurred for use of business space and incidental office costs.

**ANGRY CRAB FRANCHISE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 5 COMMITMENTS AND CONTINGENCIES**

The Company records accruals for contingencies when it is probable that a liability will be incurred, and the amount of loss can be reasonably estimated based on historical claim activity and loss development factors. There can be no assurance there will not be an increase in the scope of these matters or that any future or pending lawsuits, claims, proceedings, or investigations will not be material.

**NOTE 6 LEASES**

**Leases – ASC 842**

The Company leases an office under a long-term noncancelable agreement. The lease expires in June 2025 and provides for a single five-year renewal option. The lease provides for increases in future minimum annual rental payments based on a fixed rental schedule.

The following table provides quantitative information concerning the Company's lease:

	<u>2022</u>
Operating Lease Costs	\$ 28,348
Other Information:	
Operating Cash Flows from Operating Leases	\$ 26,432
Right-of-Use Assets obtained in Exchange for New Operating Lease Liabilities	\$ 97,337
Weighted-Average Remaining Lease Term - Operating Leases	2.5 Years
Weighted-Average Discount Rate - Operating Leases	1.04%

The Company classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022, is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 28,025
2024	29,619
2025	15,142
Total Minimum Lease Payments	72,786
Less: Amount Representing Interest	(988)
Present Value of Minimum Lease Payments	<u>\$ 71,798</u>

**ANGRY CRAB FRANCHISE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 6 LEASES (CONTINUED)**

**Operating Leases – ASC 840**

During 2016, the Company entered into an eight-year operating lease for a building. The building required significant renovations from the landlord. Base rent under the lease agreement is \$12,000 per month, with a 3% annual increase. During 2017, the Company took possession of the property and immediately entered into a sub-lease arrangement with one of the Company's franchisees. The sub-lease arrangement was formalized on March 29, 2018, with a formal agreement requiring the franchisee to pay the monthly rent payment of \$12,000 per month through the term of the lease, which ends March 1, 2024. The Company carries a deposit with the landlord of \$19,000.

During 2021, the Company entered into an operating lease for an office facility, which expires on June 30, 2025. Base rent under the lease agreement is \$1,944 per month, with a 6% annual increase. The Company carries a deposit with the landlord of \$4,945.

The future minimum lease payments were as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 25,787
2023	27,342
2024	28,897
2025	<u>14,772</u>
Total	<u>\$ 96,798</u>



**ANGRY CRAB FRANCHISE, LLC**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**



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**ANGRY CRAB FRANCHISE, LLC  
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## INDEPENDENT AUDITORS' REPORT

Members  
Angry Crab Franchise, LLC  
Mesa, Arizona

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the accompanying financial statements of Angry Crab Franchise, LLC, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income and changes in members' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Angry Crab Franchise, LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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

#### **Responsibilities of Management for the Financial Statements**

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
March 25, 2022

**ANGRY CRAB FRANCHISE, LLC**  
**BALANCE SHEETS**  
**DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 166,417	\$ 27,104
Royalties Receivable	70,692	2,447
Prepaid Expenses	42,966	15,980
Note Receivable	10,000	-
Current Portion of Deferred Franchise Costs	20,500	18,000
Total Current Assets	310,575	63,531
<b>DEFERRED FRANCHISE COSTS</b> , Net of Current Portion	144,709	142,084
<b>PROPERTY AND EQUIPMENT</b> , Net	-	950
<b>DEPOSITS</b>	23,945	19,000
Total Assets	\$ 479,229	\$ 225,565
<b>LIABILITIES AND MEMBERS' DEFICIT</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 92,373	\$ 5,700
Due to Related Party	16,668	105,000
Current Portion of Deferred Franchise Revenue	76,000	63,000
Total Current Liabilities	185,041	173,700
<b>DEFERRED FRANCHISE REVENUE</b> , Net of Current Portion	519,582	501,499
Total Liabilities	704,623	675,199
<b>MEMBERS' DEFICIT</b>		
Members' Deficit	(225,394)	(449,634)
Total Liabilities and Members' Deficit	\$ 479,229	\$ 225,565

See accompanying Notes to Financial Statements.

**ANGRY CRAB FRANCHISE, LLC**  
**STATEMENTS OF INCOME AND CHANGES IN MEMBERS' DEFICIT**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>REVENUE</b>		
Franchise Fees	\$ 68,917	\$ 42,500
Franchise Royalties	730,714	84,678
Marketing Fees	179,190	21,188
Other Operating Revenue	71,715	7,462
Total Revenue	1,050,536	155,828
<b>OPERATING EXPENSES</b>	726,296	529,103
<b>NET INCOME (LOSS)</b>	324,240	(373,275)
Members' Deficit - Beginning of Year	(449,634)	(76,359)
Distributions to Members	(100,000)	-
<b>MEMBERS' DEFICIT - END OF YEAR</b>	\$ (225,394)	\$ (449,634)

See accompanying Notes to Financial Statements.

**ANGRY CRAB FRANCHISE, LLC**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income (Loss)	\$ 324,240	\$ (373,275)
Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	950	5,567
(Increase) Decrease in Assets:		
Royalties Receivable	(68,245)	40,878
Prepaid Expenses	(26,986)	-
Deferred Franchise Costs	(5,125)	(50,667)
Deposits	(4,945)	-
Increase (Decrease) in Liabilities:		
Accounts Payable	86,673	(4,265)
Deferred Franchise Revenue	21,083	247,500
Net Cash Provided (Used) by Operating Activities	327,645	(134,262)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Distributions to Members	(100,000)	-
Advances (Repayments) to Related Party	(88,332)	105,000
Net Cash Provided (Used) by Financing Activities	(188,332)	105,000
 <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	139,313	(29,262)
Cash and Cash Equivalents - Beginning of Year	27,104	56,366
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 166,417	\$ 27,104
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Noncash Addition to Note Receivable through Transfer of Franchise	\$ 10,000	\$ -

See accompanying Notes to Financial Statements.

**ANGRY CRAB FRANCHISE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business**

Angry Crab Franchise, LLC (the Company) was incorporated under the laws of the state of Arizona and began operations March 9, 2016. The Company is a franchisor of seafood restaurants under the Angry Crab Shack trade name.

Franchise activity for the years ended December 31 was as follows:

	2021	2020
Franchises Open January 1	7	4
Open During the Year	3	3
Closed During the Year	-	-
Franchises Open December 31, 2020	10	7

**Basis of Presentation**

The Company's financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with original maturities of 90 days or less to be cash equivalents.

**Property and Equipment**

Property and equipment is recorded at cost and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciation over the life of the lease.

**Deferred Franchise Costs**

Deferred franchise costs represent commissions that are direct and incremental to the Company and are paid in conjunction with the sale of a franchise. These costs are recognized as an expense when the respective revenue is recognized, which is generally over the term of the related franchise agreement.

**Deferred Franchise Revenue**

Deferred franchise fees represent franchise fees received that have not been fully earned and will be recognized in future periods.

**Advertising Costs**

Advertising costs include franchise sales marketing and advertising costs. These costs are expensed as incurred. Advertising costs for the periods ended December 31, 2021 and 2020 were \$40,599 and \$16,250, respectively.



**ANGRY CRAB FRANCHISE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Tax**

The Company and its members have elected to be treated as a limited liability company for income tax reporting purposes. Accordingly, the members are taxed on the Company's income. Therefore, no provision or liability for income tax is included in the financial statements.

The Company follows the income tax standard for uncertain tax positions. Under this standard, the Company has not recognized a liability for uncertain tax positions as of December 31, 2021 and 2020.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Revenue Recognition**

The Company generates revenue primarily through royalties, franchise fees, and advertising fund fees. The Company recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To determine revenue recognition for the arrangements that the Company determines are within scope of Topic 606, the Company performs the following five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Company satisfies a performance obligation.

**Royalties and Advertising Fund Revenue**

The Company collects royalties, as stipulated in the franchise agreement, currently equal to 5% of gross sales and a marketing and advertising fee currently between 1% and 2% of gross sales. Royalties, including franchisee contributions to advertising funds, are calculated as a percentage of sales over the term of the franchise agreement. The franchise agreement royalties, inclusive of advertising fund contributions, represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchisee store level sales occur. Royalties are collected weekly.

**ANGRY CRAB FRANCHISE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

**Franchise Fees**

The Company generally requires the entire nonrefundable initial franchise fee to be paid upon execution of a franchise agreement, which typically has an initial term of ten years. Initial franchise fees are recognized ratably on a straight-line basis over the term of the franchise agreement. The Company's services under the franchise agreement include: training of franchisees and staff, site selection, the right to use trademarks and proprietary information, and ongoing operations support. From time to time, the Company may provide a financing option to franchisees and offers no guarantees on their behalf. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation.

**Subsequent Events**

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 25, 2022, the date the financial statements were available to be issued.

**NOTE 2 REVENUE DISCLOSURES**

**Franchising Fees, Royalty Fees, and Advertising Fund Revenue**

The franchise arrangement is documented in the form of a franchise agreement. The franchise arrangement requires the Company to perform various activities to support the brand that do not directly transfer goods and services to the franchisee, but instead represent a single performance obligation, which is the transfer of the franchise license. The intellectual property subject to the franchise license is symbolic intellectual property as it does not have significant standalone functionality, and substantially all of the utility is derived from its association with the Company's past or ongoing activities.

The nature of the Company's promise in granting the franchise license is to provide the franchisee with access to the brand's symbolic intellectual property over the term of the license. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation. The transaction price in a standard franchise arrangement primarily consists of (a) initial franchise fees, (b) continuing franchise fees (royalties), and (c) advertising fees. Since the Company considers the licensing of the franchising right to be a single performance obligation, no allocation of the transaction price is required.

**Disaggregation of Revenue**

The Company believes that the captions contained on the statements of income appropriately reflect the disaggregation of its revenue by major type for the years ended December 31, 2021 and 2020.

**ANGRY CRAB FRANCHISE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 3 CONTRACT ASSETS AND CONTRACT LIABILITIES**

Contract assets and contract liabilities were as follows:

	December 31, 2021	December 31, 2020	January 1, 2020
<u>Assets:</u>			
Royalties Receivable	\$ 70,692	\$ 2,447	\$ 43,325
<u>Liabilities:</u>			
Deferred Franchise Revenue	\$ 595,582	\$ 564,499	\$ 316,999

**NOTE 4 PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of December 31:

	2021	2020
Software	\$ 16,700	\$ 16,700
Less: Accumulated Depreciation	(16,700)	(15,750)
Property and Equipment, Net	<u>\$ -</u>	<u>\$ 950</u>

Depreciation for the years ended December 31, 2021 and 2020 was \$950 and \$5,567, respectively.

**NOTE 5 RELATED PARTY TRANSACTIONS**

The Company had an amount due to an affiliate of one of the Company's members of \$16,668 and \$105,000 at December 31, 2021 and 2020, respectively.

Five of the Company's franchisees are partially owned by a member of the Company. Amounts due from these franchisees at December 31, 2021 and 2020 were \$55,363 and \$2,447, respectively, and royalties and franchise fees paid during the years ended December 31, 2021 and 2020 were \$443,356 and \$68,584, respectively.

The financial statements do not reflect expenses for the members' time spent on behalf of the Company or costs incurred for use of business space and incidental office costs.

**ANGRY CRAB FRANCHISE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 6 COMMITMENTS AND CONTINGENCIES**

The Company records accruals for contingencies when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated based on historical claim activity and loss development factors. There can be no assurance there will not be an increase in the scope of these matters or that any future or pending lawsuits, claims, proceedings, or investigations will not be material.

**Operating Leases**

During 2016, the Company entered into an eight-year operating lease for a building. The building required significant renovations from the landlord. Base rent under the lease agreement is \$12,000 per month, with a 3% annual increase. During 2017, the Company took possession of the property and immediately entered into a sub-lease arrangement with one of the Company's franchisees. The sub-lease arrangement was formalized on March 29, 2018, with a formal agreement requiring the franchisee to pay the monthly rent payment of \$12,000 per month through the term of the lease, which ends March 1, 2024. The Company carries a deposit with the landlord of \$19,000.

During 2021, the Company entered into an operating lease for an office facility, which expires on June 30, 2025. Base rent under the lease agreement is \$1,944 per month, with a 6% annual increase. The Company carries a deposit with the landlord of \$4,945.

The future minimum lease payments are as follows at December 31, 2021:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 25,787
2023	27,342
2024	28,897
2025	14,772
Total	<u>\$ 96,798</u>

**NOTE 7 RISKS AND UNCERTAINTIES**

The Coronavirus Disease 2019 (COVID-19) continues to affect global markets, supply chains, employees of companies, and our communities. Specific to the Company, COVID-19 may impact various parts of its 2022 operations and financial results including sales. Management believes the Company is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2021.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor. CLA is an independent member of Nexia International, a leading, global network of independent accounting and consulting firms. See [nexia.com/member-firm-disclaimer](https://www.nexia.com/member-firm-disclaimer) for details. **CliftonLarsonAllen LLP**



**Exhibit K to Franchise Disclosure Document  
Development Agreement**

## DEVELOPMENT AGREEMENT

This **DEVELOPMENT AGREEMENT**, dated as of the date set forth on the last page of this Agreement, by and between **ANGRY CRAB FRANCHISE, LLC**, an Arizona limited liability company ("Franchisor"), and the party identified on the last page of this Agreement ("Franchisee").

### RECITALS

A. Franchisor has, under the Marks (as defined below), as a result of significant time, effort and money, originated a comprehensive system for the development, preparation and sale of seafood and Cajun style offerings as well as other authorized food and beverages and related appetizers and desserts on a take-out or eat-in basis (each location is identified as an "**Angry Crab Shack**");

B. Franchisor owns certain intellectual property, including trademarks, service marks (the "**Marks**"), trade secrets, recipes and other confidential and proprietary information, processes, materials and rights relating to the development, promotion and operation of the Angry Crab Shack (the "**Proprietary Information**");

C. Franchisor has developed a program, including the Proprietary Information, for conducting and operating Angry Crab Shacks under the Marks (the "**System**");

D. Franchisor and Franchisee have signed a Franchise Agreement (the "**Franchise Agreement**"), with respect to the operation by Franchisee of an Angry Crab Shack restaurant (the "**First Unit**");

E. Franchisee and Franchisor have agreed to grant Franchisee the right to operate additional Angry Crab Shacks (the "**Subsequent Units**") within a defined geographic area ("**Development Area**") on or before certain agreed upon dates (the "**Development Deadlines**") set forth in this Agreement. The First Unit and the Subsequent Units are collectively referred to as the "**Units**".

### AGREEMENT

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements contained in this Agreement, and for other good and valuable consideration, the parties agree as follows:

1. **Grant of Option to Establish Additional Angry Crab Shacks.** Subject to and in accordance with the terms of this Agreement, Franchisor grants to Franchisee, and Franchisee accepts, an option to establish and operate the number of additional Angry Crab Shacks specified in Section 3 below at the locations or within the area identified on Exhibit A to this Agreement (the "**Development Area**").

2. **Option Fees for Subsequent Units.** In consideration of the grant of the option to Franchisee to open Subsequent Units in the Development Area in a manner consistent with this Agreement, simultaneously with the signing and delivery of this Agreement, Franchisee has paid to Franchisor, in cash or by cashiers' or certified check an Option Fee in the amount set forth on Exhibit B to the Development Agreement. The Option Fee is not refundable under any circumstances and will be used for our general purposes. The remainder of the Initial Franchise Fee payable with respect to each Subsequent Unit must be paid at the time that Franchisee executes the Franchise Agreement for that specific Subsequent Unit.

3. **Development Schedule.** Franchisee and Franchisor agree that Franchisee's Subsequent Units shall be opened in accordance with the development schedule (the "**Development Schedule**") set forth on Exhibit B to the Development Agreement.

4. **Franchise Agreements.** Subject to and in accordance with the terms of this Agreement, Franchisee (and his Principals, directors, officers, managers and employees) will sign and deliver to Franchisor, in

connection with each subsequent Unit, a franchise agreement (and such other ancillary agreements and documents as Franchisor may then require in connection with the signing of franchise agreements) in the form then being signed by new franchisees and will be subject to the terms of such franchise agreement (including, without limitation, the Royalty Fees, the advertising payments and other fees). The Option Fees and/or Initial Franchise Fees paid are not refundable and will be used for our general purposes.

5. **Royalty Fees.** Unless otherwise provided in this Agreement, the Royalty Fees payable to in conjunction with each Subsequent Unit will be set forth in the Franchise Agreement executed by Franchisee for that specific Subsequent Unit.

6. **Conditions to Establishing Additional Angry Crab Shacks.**

a. Notwithstanding anything contained in this Agreement to the contrary, Franchisor may refuse to grant Franchisee a franchise or sign a franchise agreement or to allow Franchisee to open a Subsequent Unit contemplated by this Agreement due to Franchisee's failure to satisfy (in Franchisor's sole discretion) all of the conditions set forth in Section 6.b(i) of this Agreement. In such event, any Option Fee paid to Franchisor with respect to the Subsequent Unit(s) will not be refunded to Franchisee.

b. Franchisee acknowledges and agrees that it is critical for Franchisor to protect the Marks, the System and Proprietary Information and to maintain a high quality of services and products provided under the Marks. Accordingly, Franchisee acknowledges that Franchisor has a significant interest in granting franchises only to persons who operate their Angry Crab Shacks in accordance with the highest integrity and operational excellence, and agrees that Franchisee's right to establish and operate the Subsequent Units will be subject to the satisfaction (in Franchisor's sole discretion) of each of the following conditions:

(i) Franchisee must sign a franchise agreement with respect to each Subsequent Unit by the Franchise Agreement Deadline set forth in the Development Schedule above;

(ii) At the time that Franchisee seeks to sign a franchise agreement with respect to a Subsequent Unit, Franchisee (and his Affiliates and their respective Principals, directors, officers, managers and employees) must not be in breach of his (or their) obligations under, or related to, this Agreement, any franchise agreement or any other agreement with Franchisor or its Affiliates, and no fact or condition exists that, with the passage of time or the giving of notice, would constitute a breach;

(iii) At the time that Franchisee seeks to sign a franchise agreement with respect to a Subsequent Unit, (i) all Angry Crab Shacks operated by Franchisee (and all of his Affiliates) must be in full compliance with all operational and other requirements, rules and policies contained in Franchisor's Operation Manual and (ii) Franchisee must qualify (in Franchisor's sole discretion) for acceptance as a franchisee under Franchisor's then-current qualifications (including, without limitation, financial qualifications) for franchisees;

(iv) Franchisee (and his Principals, directors, officers, managers and employees) signs and delivers to Franchisor, in connection with any such Subsequent Unit, the franchise agreement (and such other ancillary agreements and documents as Franchisor may then require in connection with the signing of franchise agreements) in the form then being signed by new franchisees and will be subject to the terms of such franchise agreement including, without limitation, the Royalty Fees, the advertising payments and other fees;

(v) At the time that Franchisee seeks to sign a franchise agreement with respect to a Subsequent Unit, Franchisee must sign a general release of Franchisor and its Affiliates, in the form attached hereto as Exhibit C, or in such other form as Franchisor may then require; and



(vi) Franchisee must open each Subsequent Unit by the Development Deadline listed above.

(vii) Franchisee agrees that if Franchisee fails to satisfy (in Franchisor's sole discretion) each of the above conditions, Franchisee will not be entitled to establish or operate the Subsequent Units contemplated by this Agreement and that Franchisor will not be obligated to grant Franchisee any additional franchises or sign any additional franchise agreements with Franchisee; provided, however, that Franchisee's rights with respect to Subsequent Units to which both Franchisee and Franchisor have previously signed franchise agreements will not be subject to the terms of this Section 7, but will be subject to the terms of those franchise agreements.

## 7. **Location of Subsequent Units.**

a. Franchisee must establish and operate each Subsequent Unit within the Development Area, subject to Franchisor's approval of each proposed location, which approval may not be unreasonably withheld.

b. Notwithstanding anything contained in this Agreement to the contrary, Franchisor (for itself and its Affiliates and designees) retains all rights with respect to Angry Crab Shacks, the Marks, the System, Proprietary Information, Copyrights and copyrighted materials, and the sale of Angry Crab Shack products or other related products anywhere in the world, including the right to: (1) operate (and license others to operate) any type of business other than an Angry Crab Shack at any location inside or outside the Development Area; (2) provide, offer and sell (and license others to provide, offer and sell) products that are identical or similar to and/or competitive with those provided at or from Angry Crab Shacks, whether identified by the Marks or other trademarks or service marks, through dissimilar distribution channels (including, without limitation, the Internet or similar electronic media) both inside and outside the Development Area; (3) operate (and license others to operate) Angry Crab Shacks located anywhere outside the Development Area regardless of proximity to the Development Area or one or more Angry Crab Shacks in the Development Area; (4) acquire the assets and/or ownership interests of one or more competing restaurants ("**Competing Businesses**") and franchising, licensing or creating similar arrangements with respect to these businesses once acquired wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Development Area); (5) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a competitor that operates Competing Businesses, or by another business, even if such business operates, franchises and/or licenses Competing Businesses in the Development Area; and (6) create, place, and/or distribute or authorize others to create, place and/or distribute any advertising and promotional materials, which may appear in media, or be received by prospective customers located, within the Development Area; and (7) open or allow others to open Angry Crab Shacks in Special Locations inside or outside the Development Area. Franchisee acknowledges that Franchisor presently intends to develop Angry Crab Shacks (including franchised and company-owned units) throughout the United States and perhaps internationally and that one or more future Franchised Businesses (including franchised and company-owned units) may have an adverse effect on the revenues and profitability of existing Angry Crab Shacks, including Franchisee's Angry Crab Shack. Franchisee further acknowledges that Franchisor has not made any representation or agreement, or provided Franchisee any assurance, that no future Franchised Business (including franchised and company-owned units) would adversely affect the revenues and profitability of Franchisee's Franchised Businesses.

c. For purposes of this Agreement, a "Special Location" means an airport, train station, bus terminal, hotel, college, university, hospital, military base, state or national park, casino, stadium or sports and entertainment venue, as designated by us.

## 8. **Termination.** This Agreement will terminate upon the earlier of:

a. The date of the last Development Deadline specified in Section 3 of this Agreement;

- b. The insolvency of Franchisee;
- c. The breach by Franchisee (or any of his Affiliates) of any of his (or their) obligations under, or related to, this Agreement, any franchise agreement or any other agreement with Franchisor or its Affiliates (and to the extent applicable, the passing of the cure period); and
- d. The date on which any franchise agreement previously signed by Franchisee (or any of his Affiliates) and Franchisor, or any other agreement between Franchisee (or any of its Affiliates) and Franchisor (or any of its Affiliates), is terminated.

9. **Provisions.** Each provision, condition and term of this Agreement is material, and a breach or violation of any of them will constitute a default of that party's obligations under this Agreement.

10. **Definitions.** All capitalized terms used, but not defined, in this Agreement have the meanings given them in the Franchise Agreement.

11. **Notices.** All communications or notices required or permitted to be given or served under this Agreement must be in writing and will be deemed to have been duly given or made if: (a) delivered in person or by courier (including by Federal Express or other courier); (b) deposited in the United States mail, postage prepaid, for mailing by certified or registered mail, return receipt requested; or (c) emailed, and addressed to the email address set forth on the last page of this Agreement. All communications and notices will be effective upon delivery in person or by courier to the address set forth in this Agreement, upon being deposited in the United States mail in the manner set forth above or upon receiving an email in the manner set forth above. Any party may change his, her or its address or email address by giving notice in writing, stating his, her or its new address, to the other party to this Agreement as provided in the foregoing manner.

12. **Transfers; Successors and Assigns.**

a. Notwithstanding anything contained in this Agreement, or in any other agreement, to the contrary, Franchisee may not assign or otherwise transfer, by operation of law or otherwise, his rights under this Agreement without the prior written consent of Franchisor, which consent may be withheld by Franchisor in its sole discretion. Any transfer of an equity interest in Franchisee, by operation of law or otherwise, and any merger or consolidation of Franchisee (if a corporation, partnership, limited liability company or other entity) will be deemed to be a transfer of the Franchised Business in violation of this Section 13. Any attempt by Franchisee to assign his rights under this Agreement without Franchisor's prior written consent will be void.

b. Notwithstanding anything contained in this Agreement to the contrary, Franchisor may assign its rights under this Agreement, or delegate any of its obligations hereunder, without the consent of Franchisee or any other person.

c. Subject to Section 13.a, this Agreement will be binding upon and inure to the benefit of the parties and their respective assigns, legal representatives, executors, heirs and successors.

13. **Amendment, Modification or Waiver.**

a. Except as stated in this Agreement, no amendment, modification or waiver of any condition, provision or term of this Agreement will be valid or of any effect unless made in writing, signed by the parties and specifying with particularity the nature and extent of the amendment, modification or waiver.

b. Failure on the part of any party to complain of any act or failure to act of another party or to declare another party in default, irrespective of how long the failure continues, will not constitute a waiver

by that party of his, her or its rights under this Agreement. Any waiver by any party of any default of another party will not affect or impair any right arising from any other or subsequent default.

14. **Entire Agreement.** This Agreement, including the exhibits, contains the entire understanding and agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings between the parties with respect to that subject matter. Each of the exhibits are incorporated in this Agreement by this reference and constitutes a part of this Agreement. Notwithstanding this Section 15, nothing in this Agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.

15. **Terminology.** All captions, headings or titles in the paragraphs or sections of this Agreement are inserted for convenience of reference only and do not constitute a part of this Agreement or a limitation of the scope of the particular paragraph or section to which they apply. All personal pronouns used in this Agreement, whether used in the masculine, feminine, or neuter gender, will, where appropriate, include all other genders and the singular will include the plural and vice versa.

16. **Counterparts.** This Agreement may be executed in two or more counterparts, each of which will be considered the same agreement and will become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

17. **Attorneys' Fees.** In the event of any claim, controversy or dispute arising out of or relating to this Agreement, or the breach thereof, the prevailing party may recover reasonable attorneys' fees incurred in connection with any proceeding.

18. **Confidentiality.** Developer acknowledges that Franchisor is engaged in a highly competitive business, the success of which is dependent upon, among other things, trade secrets, confidential information, and Proprietary Information. Developer further acknowledges that Franchisor's method of operation, processes, techniques, formulae and procedures and the other Proprietary Information constitute valuable trade secrets. Developer agrees not to use for any purpose, or disclose or reveal (and must use his best efforts to cause all of Developer's Agents (as defined below) not to use for any purpose, or disclose or reveal), during the term of the Franchise Agreement or forever thereafter, to any person any Proprietary Information or any other information (incorporating or including Proprietary Information) provided to Developer by Franchisor and/or its Affiliates, employees, officers, directors, or vendors. Developer must fully and strictly comply with all security measures prescribed by Franchisor (whether directly or through Developer) for maintaining the confidentiality of all Proprietary Information. Developer must not reverse engineer, decompile or disassemble any of the Proprietary Information. For purposes of this Development Agreement, the term "Agents" means Developer's Principals, directors, officers, managers and employees. Developer acknowledges that a breach of his obligations under this Section 18 would cause damage to Franchisor, Developer, and Franchisor's other franchisees, and that Developer would be liable for this damage. Notwithstanding the foregoing, Developer may disclose Proprietary Information to a person who is bound by the terms of this provision regarding confidentiality to the extent that that disclosure is necessary in connection with that person's capacity with Developer. In addition, notwithstanding the foregoing, Developer may use the Proprietary Information as may be necessary in connection with the operation of the Franchised Business. Notwithstanding the foregoing, the following will not be subject to the provisions of this Section 18:

- a. Information that is in the public domain as of the date of receipt by Developer;
- b. Information that is known to Developer prior to the date of receipt by Developer;
- c. Information that becomes known to the public without a breach of the provisions of this Section 18 or any agreement signed in connection with the Franchise Agreement; and

d. Information that is required by law to be disclosed or revealed, but only strictly to the extent required by law, provided that Developer provides Franchisor with adequate notice of Developer's intent to so disclose such Proprietary Information to enable Franchisor to contest such disclosure.

19. **Copyrights.** Any reproduction of any items or materials suitable for copyright protection by Franchisor (the "Copyrights"), including, without limitation, the copyrightable materials within the Proprietary Information, must bear a copyright notice in the form designated by Franchisor. All advertising and promotional materials generated by or for Developer will be subject to Franchisor's prior approval, will be completely factual and will conform to the highest standards of ethical advertising. Further, all advertising, promotional and other materials generated by or for Developer (including, without limitation, materials generated by or for Developer) for the Franchised Business will be deemed a work-made-for-hire, and all ownership rights, including, without limitation, any copyrights, in such advertising, promotional and other materials are hereby assigned by Developer to Franchisor.

20. **Innovations.** Developer may conceive, invent, create, design and/or develop various ideas, techniques, methods, processes and procedures, formulae, services, products, packaging or other concepts and features relating to the Franchised Business or its operations or business practices (including, without limitation, the services and products offered and sold by the Franchised Business) (the "Innovations"). Developer assigns any and all of its rights, title and interest in the Innovations, including, without limitation, any intellectual property rights, to Franchisor, and also agrees to cooperate with Franchisor and its counsel in the protection of the Innovations, including, without limitation, the perfecting of title thereto.

21. **Use of Name and Likeness.** Franchisor will be entitled to use the name, likeness and voice of Developer for purposes of promoting the franchise, Franchisor and its services and products, including, without limitation, all photos and audio and video recordings, and Developer hereby irrevocably consents thereto. Developer acknowledges that Franchisor will own all right, title and interest, to the extent allowed by law, in all rights of integrity, disclosure and publication and any other rights that may be known as or referred to as "moral rights," "artist's rights," "publicity rights" or the like associated with such photos and audio and video recordings, and assigns and transfers unto Franchisor the full and exclusive right, title, and interest to such publicity rights.

22. **Non-Solicitation.** Developer may not, during the term of the Development Agreement and for the "Restricted Period" in the "Restricted Area", directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), except in conjunction with the operation of Developer's Angry Crab Shacks in a manner consistent with the Franchise Agreements:

a. solicit other franchisees, or use the lists of franchisees, for any commercial or other purpose other than purposes directly related to the operation of the Franchised Business without the prior approval of Franchisor.

b. encourage, entice, induce, or influence, directly or indirectly, any Person to engage in any business, act, or transaction that contravenes the terms of this Section.

23. **Non-Competition.**

a. Developer may not, during the term of the Development Agreement and for the Restricted Period for any reason, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a Competing Business within the "Restricted Area".

b. Developer may not, during the term of the Development Agreement and for the Restricted Period for any reason, directly or indirectly (as an owner, partner, director, officer, employee, manager,

consultant, shareholder, representative, agent, lender or otherwise), be engaged in a Competing Business, other than Developer's Angry Crab Shack.

**24. Definitions.**

a. The "Restricted Period" for purposes of this Development Agreement shall be the one (1) year immediately following the expiration or termination of Developer's association with Developer for any reason; except that if a court or arbitrator finds that a one (1) year Restricted Period is not reasonably necessary to protect legitimate business interests of Franchisor, the Restricted Period shall be the nine (9) months immediately following the expiration or termination of Developer's association with Developer for any reason; except that if a court or arbitrator finds that a nine (9) month Restricted Period is not reasonably necessary to protect the legitimate business interests of Franchisor, the Restricted Period shall be the six (6) months immediately following the expiration or termination of Party's association with Developer for any reason; except that if a court or arbitrator finds that a six (6) month Restricted Period is not reasonably necessary to protect the legitimate business interests of Franchisor, the Restricted Period shall be the three (3) months immediately following the expiration or termination of Party's association with Developer for any reason.

b. The "Restricted Area" for purposes of this Development Agreement shall be within a seven (7) air-mile radius of any Angry Crab Shack previously or presently owned, in whole or in part, by Developer or any of Developer's Affiliates; except that if a court or arbitrator finds that a seven (7) air-mile radius Restricted Area is not reasonably necessary to protect legitimate business interest of Franchisor, the Restricted Area shall be a five (5) air-mile radius of any Angry Crab Shack previously or presently owned, in whole or in part, by Developer or any of Developer's Affiliates; except that if a court or arbitrator finds that a five (5) air-mile radius Restricted Area is not reasonably necessary to protect legitimate business interest of Franchisor, the Restricted Area shall be a three (3) air-mile radius of any Angry Crab Shack previously or presently owned, in whole or in part, by Developer or any of Developer's Affiliates.

c. For purposes of this Agreement, a Competing Business is defined as a business that generates 15% or more of its gross sales from the marketing or sale of seafood or Cajun style offerings and related appetizers and desserts.

25. Any capitalized terms not explicitly defined herein shall be defined in a manner consistent with the Franchise Agreement.

**26. Representations and Warranties of Developer.** Developer represents and warrants to Franchisor that:

a. The application submitted by Developer or his Principals, and all statements made by Developer or his Principals to Franchisor in connection with this Development Agreement, are true and correct in all material respects.

b. Neither Developer nor his Principals, directors, officers or managers are bound by, or subject to, any agreement that would prohibit or restrict them from entering into this Development Agreement (or the ancillary agreements and documents signed in connection herewith) or performing their respective obligations hereunder (or thereunder).

**27. Acknowledgement of Developer.** Developer acknowledges that, except as expressly set forth in the Disclosure Document delivered to Developer, neither Franchisor, nor anyone acting on behalf of Franchisor, has made any claims or representations whatsoever regarding potential sales, profits or earnings achievable by Developer in connection with the conduct of the Franchised Businesses. Developer acknowledges that he has been informed and he understands that the successful operation of the Franchised Businesses will depend primarily upon the efforts, capabilities and management skills of Developer and general economic conditions and trends, and that he cannot rely upon the information set forth in the

Disclosure Document as representations or warranties of the results that will be achieved by Developer in connection with his operation of the Franchised Businesses. Developer acknowledges and confirms that he has selected, or will select, the premises on which the Franchised Businesses will be established and operated by him, and that the decision to establish and operate the Franchised Businesses in those premises was, or will be, made solely by him, without any reliance upon any information provided (if any), recommendation made (if any) or approval given (if any) by Franchisor, its Affiliates or any of their respective shareholders, directors, officers, employees, representatives or agents. Developer accepts full responsibility for the consequences of his decision.

28. **Dispute Resolution.**

a. **Mediation.** Before you or we may bring an action in court, against the other, you and we must first meet to mediate the dispute (except as otherwise provided below). Any such mediation will be non-binding and will be conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. Notwithstanding anything to the contrary, this Section 28.a will not bar you or us from obtaining judicial or injunctive relief for claims that are based solely on demands for monies owed, or from obtaining injunctive relief against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation; including, without limitation, claims involving the Marks. The mediation proceeding will be conducted within 30 miles of our then-existing principal business location.

b. **Certain Disputes Exempted.** Notwithstanding anything contained in this Agreement to the contrary, Section 28.a does not apply in cases where a Franchisor brings an action for an express obligation to pay monies, declaratory relief, preliminary or permanent equitable relief, any action at law for damage to Franchisor's goodwill, the Proprietary Information, the Marks or other property, or for fraudulent conduct by Franchisee or the delay resulting from the mediation process may adversely affect Franchisor's financial condition or endanger or adversely affect the public (for example, unhealthy, unsafe or unsanitary conditions would continue to exist).

c. **Governing Law.** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement, the Franchise, and all claims arising from the relationship between you and us will be governed by the laws of the State of Arizona, without regard to its conflict of laws rules, provided, however, that any Arizona law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section 28.b.

d. **Consent to Jurisdiction.** You and we agree that, to the extent any disputes cannot be resolved directly between us, you will file any suit against us only in the federal or state court having jurisdiction where our principal offices are located at the time suit is filed. We may file suit in the federal or state court located in the jurisdiction where our principal offices are located at the time suit is filed or in the jurisdiction where you reside or do business, where the Angry Crab Shack is or was located, or where the claim arose. You consent to the personal jurisdiction of those courts over you and to venue in those courts.

e. **Waiver of Certain Damages and Rights.** You and we waive, to the fullest extent permitted by law, any right or claim of any punitive or exemplary damages against each other and agree that, in the event of a dispute between us, we each will be limited to the recovery of actual damages sustained. You and we waive, to the fullest extent permitted by law, the right to bring, or be a class member in, any class action suits and the right to trial by jury.

f. **Reimbursement of Costs and Expenses.** If either party brings an action to enforce this Agreement in a judicial proceeding, the party prevailing in that proceeding will be entitled to reimbursement of costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys'

assistants', and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, in contemplation of or subsequent to the filing of, the proceeding. If we utilize legal counsel (including in-house counsel employed by us) in connection with any failure by you to comply with this Agreement, you agree to reimburse us for any of the above-listed costs and expenses incurred by us. In any judicial proceeding, the amount of these costs and expenses will be determined by the court and not by a jury.

g. **Rights and Remedies Cumulative.** No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy in this Agreement or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy. The provisions of this Section 28 shall survive the expiration or earlier termination of this Agreement.

h. **Limitations of Claims.** Any and all claims and actions arising out of or relating to this Agreement, the relationship between you and us, or your operation of the Angry Crab Shack, must be brought or asserted before the expiration of the earlier of: (1) the time period for bringing an action under any applicable state or federal statute of limitations; (2) 1 year after the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim; or (3) 2 years after the first act or omission giving rise to an alleged claim; or it is expressly acknowledged and agreed by all parties that such claims or actions will be irrevocably barred. Our claims attributable to underreporting of sales, and claims of the parties for failure to pay monies owed and/or indemnification will be subject only to the applicable state or federal statute of limitations.

i. **Injunctive Relief.** You recognize that your failure to comply with the terms of this Agreement, including, but not limited to, the failure to comply with all post-termination obligations, is likely to cause irreparable harm to us, our Affiliates, and the System. Therefore, you agree that, in the event of a breach or threatened breach of any of the terms of this Agreement by you, we will be entitled to injunctive relief (both preliminary and permanent) restraining that breach and/or to specific performance without showing or proving actual damages and without posting any bond or security. Any equitable remedies sought by us will be in addition to, and not in lieu of, all remedies and rights that you otherwise may have arising under applicable law or by virtue of any breach of this Agreement.

j. **Survives Termination.** The provisions of this Section 28 will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement, however effected.

k. **Election to Resolve Claims.** This Section 28 is an election to require most claims, disputes, and controversies to be submitted to mediation before a claim may be filed in court. The parties agree and understand that they are waiving certain rights to seek redress and any right to a jury trial. The parties understand that the rules applicable to arbitrations and the rights of parties in arbitrations differ from the rules and rights applicable in court.

29. **Construction.** The parties acknowledge that each party was represented (or had the opportunity to be represented) by legal counsel in connection with this Agreement and that each of them and his, her or its counsel have reviewed this Agreement, or have had an opportunity to do so, and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party will not be employed in the interpretation of this Agreement or any amendments or any exhibits hereto or thereto.

30. **Additional Actions.** Each party agrees to do all acts and things and to make, execute and deliver such written instruments as may from time to time be reasonably required to carry out the terms and provisions of this Agreement.

31. **Computation of Time.** Whenever the last day for the exercise of any privilege or discharge of any duty under this Agreement falls upon Saturday, Sunday or any legal holiday under Arizona law, the party

having that privilege or duty will have until 5:00 p.m. Phoenix, Arizona time, on the next succeeding regular business day to exercise that privilege or to discharge that duty.

32. **Currency.** Unless otherwise directed by Franchisor in writing, all amounts contemplated by this Agreement will be paid in United States Dollars and deposited in the bank account specified by the recipient. Computation of any amounts to be paid which require conversion between currencies will be made at the selling rate for United States Dollars quoted by Franchisor's primary bank on the date on which payment is made. Franchisee will pay all costs of currency exchange.

33. **Authority.** Any individual signing below on behalf of a corporation, partnership, Limited Liability Company or other entity personally represents that he has full authority to bind the party or parties on whose behalf he is signing.

34. **Terrorist and Money Laundering Activities.** Franchisee hereby represents and warrants to Franchisor that neither Franchisee, nor any of his Affiliates or their respective equity owners, directors, officers, employees, representatives and agents (collectively, the "Included People"), (a) is identified, by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control or (b) has violated any Anti-Terrorism Law (as defined below). You and your owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with Anti-Terrorism Laws. In connection with that compliance, you and your owners certify, represent, and warrant that none of your property or interests is subject to being blocked under, and that you and your owners otherwise are not in violation of, any of the Anti-Terrorism Laws. The term "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, the rules, orders and guidelines promulgated by the Office of Foreign Assets Control ("OFAC") and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or your owners, or any blocking of your or your owners' assets under the Anti-Terrorism Laws, will constitute good cause for immediate termination of this Agreement. Franchisee shall comply with, all laws prohibiting corrupt business practices, money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government. Franchisee further agrees that he will immediately notify Franchisor of the occurrence of any event, or the development of any circumstances, that might render any of the foregoing representations or warranties to be false, inaccurate or misleading. Any violation of the Anti-Terrorism Laws by you or your owners, or any blocking of your or your owners' assets under the Anti-Terrorism Laws, will constitute good cause for immediate termination of this Agreement.

35. **Acknowledgement of Franchisee.** Franchisee does not acknowledge that, except as expressly set forth in the Disclosure Document delivered to Franchisee, Franchisor, nor anyone acting on behalf of Franchisor, has made any claims or representations whatsoever regarding potential sales, profits or earnings achievable by Franchisee in connection with the conduct of the Franchised Business at the Units. Franchisee acknowledges that he has been informed and he understands that the successful operation of the Franchised Business at the Units will depend primarily upon the efforts, capabilities and management skills of Franchisee and general economic conditions and trends, and that he cannot rely upon the information set forth in the Disclosure Document as representations or warranties of the results that will be achieved by Franchisee in connection with his operation of the Franchised Business at the Units. Franchisee acknowledges and confirms that he has selected, or will select, the Premises on which the Franchised Business will be established and operated by him, and that the decision to establish and operate the Franchised Business at the selected Premises was, or will be, made solely by him, without any reliance upon any information provided (if any), recommendation made (if any) or approval given (if any) by Franchisor, its Affiliates or any of their respective shareholders, directors, officers, employees, representatives or agents. Franchisee accepts full responsibility for the consequences of his decision.

**IN WITNESS WHEREOF**, the parties have executed this Agreement, or caused this Agreement to be executed, as of \_\_\_\_\_.



**ANGRY CRAB FRANCHISE, LLC**

**FRANCHISEE**

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

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

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

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

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

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

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

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

**CONSENT OF SPOUSE**

**(To Be Signed If Franchisee Is a Married Individual)**

In consideration of the execution of the Development Agreement to which this Consent is attached (including the exhibits thereto, the "Agreement") by Angry Crab Franchise, LLC, and knowing that Angry Crab Franchise, LLC will rely upon this Consent of Spouse, the undersigned spouse of the franchisee identified in the Agreement acknowledges that he/she has read the Agreement, agrees to be bound by provisions and agrees that he/she will make, execute and deliver such instruments and documents that may be necessary to carry out the provisions of the Agreement.

Dated \_\_\_\_\_

\_\_\_\_\_  
(Signature of Spouse)

\_\_\_\_\_  
(Print Name of Spouse)

**EXHIBIT A**

**DEVELOPMENT AREA**

Your rights in the Development Area are subject to the limitations described in Sections 2 and 3 of the Development Agreement. Any boundaries contained in the description of the Development Area will be considered fixed as of the Effective Date and shall not change notwithstanding a change in those boundaries.

**The Parties agree that the Development Area shall include the following area(s):**

**Acknowledged as a complete and accurate description of the development area as of \_\_\_\_\_**

**ANGRY CRAB FRANCHISE, LLC**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

**EXHIBIT B  
TO DEVELOPMENT AGREEMENT  
INFORMATION SHEET**

Total Option Fee: \_\_\_\_\_

Development Schedule:

Unit #	Franchise Agreement Deadline	Option Fee	Development Deadline
<b>Total</b>		<b>Total</b>	

If Franchisee is any entity, identify:

Type of entity: \_\_\_\_\_

State of organization: \_\_\_\_\_

Title of signatory: \_\_\_\_\_

If an individual, identify state of residence and domicile: \_\_\_\_\_

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

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

Person who will supervise the Franchised Business: \_\_\_\_\_

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

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

Telephone Numbers:

(Home) \_\_\_\_\_

(Office) \_\_\_\_\_

(Cellular) \_\_\_\_\_

Principals of Franchisee (Shareholders, Partners, Members, etc.--Total Must equal 100%)

Name	Ownership Percentage
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**EXHIBIT C  
TO DEVELOPMENT AGREEMENT  
RELEASE**

A. Angry Crab Franchise, LLC, an Arizona limited liability company (“**Franchisor**”), and the undersigned (“**Franchisee**”), or one or more of Franchisee’s Affiliates (as defined below) have signed the following Franchise Agreement(s) (collectively, the “Franchise Agreement(s)”):

<u>Franchisee/Affiliate</u>	<u>Date</u>	<u>Unit #</u>	<u>Location</u>
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B. Franchisor and Franchisee have signed that certain Development Agreement, dated as of \_\_\_\_\_ (the “Development Agreement”), pursuant to which Franchisor has granted Franchisee an option to establish and operate additional Angry Crab Shacks (the “Subsequent Units”).

C. One of the conditions precedent to Franchisee’s right to establish and operate the Subsequent Unit(s) is the signing and delivery by Franchisee of a general release of Franchisor and its Affiliates.

D. Franchisee or one of his Affiliates desires to establish and operate an additional Angry Crab Shacks and to exercise its rights under the Development Agreement in connection therewith.

**AGREEMENT**

**IN CONSIDERATION OF** Franchisor’s agreeing to grant Franchisee or one of his Affiliates, a franchise to establish and operate Angry Crab Shack Unit # \_\_\_\_\_ in accordance with the Development Agreement, and for other good and valuable consideration, the receipt, and sufficiency of which are hereby acknowledged:

1. Franchisee, on behalf of Franchisee and his Affiliates and their respective shareholders, members, directors, officers, employees, representatives and agents (collectively, the “Franchisee Parties”), hereby releases, discharges and acquits Franchisor and its Affiliates and their respective shareholders, members, directors, employees, representative and agents (collectively, the “Franchisor Parties”) for, from and against any and all claims, demands and causes of action (whether now existing or hereafter arising, known or unknown) that any of the Franchisee Parties now has or may in the future have against any of the Franchisor Parties that resulted, result or may result from, arise out of or relate to the Franchise Agreements, offering and sale of the Angry Crab Shack® franchise thereby, the establishment and operation of the Franchisee Parties’ Angry Crab Shacks® and/or the relationship among the Franchisor Parties and the Franchisee Parties in connection with any of the foregoing.

2. For purposes of this Agreement, the term "Affiliate" means any person or entity (a) that beneficially owns a 20% or greater equity interest in the other person or entity (for example, a parent company of Franchisee or an individual that owns at least a 20% interest in Franchisee), (b) whose equity interests (20% or greater) are beneficially owned by the other person or entity (for example, a subsidiary of Franchisee) or (c) whose equity interests (20% or greater) are beneficially owned by the other persons or entities who (on a cumulative basis) own a 20% or greater equity interest in the other person or entity (for example, a sister company of Franchisee).

**EXECUTED** as of the date first set forth above.

\_\_\_\_\_  
[Name of Franchisee]

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

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

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

**Exhibit L**  
**Disclosure Questionnaire**

**DISCLOSURE QUESTIONNAIRE**

As you know, Angry Crab Franchise, LLC and you are preparing to enter into a Franchise Agreement for the operation of an Angry Crab Shack and a Development Agreement for the operation of additional Angry Crab Shacks over an agreed upon period of time. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, to be certain that you have been properly represented in this transaction, and to be certain that you understand the limitations on claims you may make because of the purchase and operation of your Angry Crab Shack. You must sign and date this Questionnaire the same day that you sign the Franchise Agreement. You cannot sign or date this Questionnaire the same day as the Receipt for the Disclosure Document. Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer on the back of this sheet.

	<b>Question</b>	<b>Yes</b>	<b>No</b>
1	Have you received and personally reviewed the Franchise Agreement and each exhibit or schedule attached to it?		
2	Have you received and personally reviewed the Development Agreement and each exhibit or schedule attached to it?		
3	Have you received and personally reviewed the Disclosure Document we provided?		
4	Did you sign a receipt for the Disclosure Document indicating the date you received it?		
5	Do you understand all of the information contained in the Disclosure Document, all of the terms of the Franchise Agreement, and all of the terms of the Development Agreement?		
6	Have you reviewed the Disclosure Document, Franchise Agreement and Development Agreement with a lawyer, accountant or other professional advisor?		
7	Have you discussed the benefits and risks of developing and operating Angry Crab Shacks with existing Angry Crab Shack franchisees?		
8	Do you understand the risks of developing and operating Angry Crab Shack franchises?		
9	Do you understand that the success or failure of your Angry Crab Shack will depend in large part upon your skills, abilities and efforts and those of the persons you employ, as well as many factors beyond your control such as weather, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?		
10	Do you understand that, subject to applicable state law, any applicable mediation, arbitration or litigation must take place in Arizona?		
11	Do you agree that no employee or other person speaking on our behalf has made any statement or promise regarding the costs involved in operating Angry Crab Shacks, or otherwise, that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?		

	<b>Question</b>	<b>Yes</b>	<b>No</b>
12	Do you agree that no employee or other person speaking on our behalf has made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn or the total amount of revenue an Angry Crab Shack will generate, that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?		
13	Do you understand that the Franchise Agreement and the exhibits to the Franchise Agreement, the Development Agreement and the exhibits to the Development Agreement, and the Disclosure Document contain the entire agreement between us and you concerning your purchase of Angry Crab Shack franchises and that any oral or written statements, if any, not contained in the Franchise Agreement or Disclosure Document will not be binding?		

EXPLANATION OF ANY NEGATIVE RESPONSES [REFER TO QUESTION NUMBER]:

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PLEASE ADD ADDITIONAL SHEETS OF PAPER IF NECESSARY TO EXPLAIN NEGATIVE RESPONSES.

THE UNDERSIGNED UNDERSTANDS THAT HIS ANSWERS ARE IMPORTANT TO ANGRY CRAB FRANCHISE, LLC, AND THAT ANGRY CRAB FRANCHISE, LLC WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, THE UNDERSIGNED REPRESENTS AND WARRANTS THAT HE HAS CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO EACH OF THE ABOVE QUESTIONS.

EXECUTED as of \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_

**FRANCHISEE:**

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

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

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

**Exhibit M**  
**State Effective Dates**

**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:

<b>State</b>	<b>Effective Date</b>
Florida	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Michigan	Pending
Minnesota	Pending
Nebraska	5/10/2016
Washington	Pending
Wisconsin	Pending

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



**RECEIPT**

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

If Franchisor offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the Franchisor or an affiliate in connection with the proposed franchise sale.

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

The issuance date for this Franchise Disclosure Document is April 14, 2023.

I have received a Disclosure Document dated April 14, 2023 that included the following Exhibits:

- |  |   |
|--|---|
| A Directory of State Agencies and Administrators                                   | H Table of Contents of Operations Manual                          |
| B Franchisor’s Agent for Service of Process  | I State Specific Disclosures and Addendums to Franchise Agreement |
| C Franchise Agreement  | J Financial Statements for Angry Crab Franchise, LLC              |
| D Agreement to be Bound and to Guarantee   | K Development Agreement   |
| E Preauthorization to Permit Franchisor to Draw Drafts on the Franchisee’s Account | L Disclosure Questionnaire  |
| F Form of General Release  | M State Effective Dates   |
| G Franchisor Lease Addendum  | N Receipts  |

Prospective Franchisee

Prospective Franchisee

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

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

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

**Instructions for returning the receipt:** If the Disclosure Document is not delivered in person, the prospective franchisee must sign both copies of this Receipt, retaining one (1) for the prospective franchisee’s records. The other copy must be sent via certified mail to the Franchisor: Angry Crab Franchise, LLC, Attn: Andrew Diamond, President, 2345 South Alma School Road Suite 106, Mesa, Arizona 85210.

Franchise seller’s name: Andrew Diamond  
Principal business address: 2345 South Alma School Road Suite 106, Mesa, Arizona 85210  
Email: a.diamond@angrycrabshack.com  
Telephone number: (480) 398-7099

Franchise seller’s name: \_\_\_\_\_  
Principal business address: \_\_\_\_\_  
Email: \_\_\_\_\_  
Telephone number: \_\_\_\_\_

**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 Franchisor offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the Franchisor or an affiliate in connection with the proposed franchise sale.

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| F Form of General Release  | M State Effective Dates   |
| G Franchisor Lease Addendum  | N Receipts  |

Prospective Franchisee

Prospective Franchisee

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

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

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

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Franchise seller’s name: Andrew Diamond  
Principal business address: 2345 South Alma School Road Suite 106, Mesa, Arizona 85210  
Email: a.diamond@angrycrabshack.com  
Telephone number: (480) 398-7099

Franchise seller’s name: \_\_\_\_\_  
Principal business address: \_\_\_\_\_  
Email: \_\_\_\_\_  
Telephone number: \_\_\_\_\_  
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