

FRANCHISE DISCLOSURE DOCUMENT



Barrel House Enterprises LLC
An Iowa Limited Liability Company
3475 Jersey Ridge Road, Ste. 3
Davenport, Iowa 52807
563-214-1013
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Barrel House Enterprises LLC offers individual unit franchises for the development and operation of a Barrel House restaurant (“Restaurant”), featuring hot and cold specialty sandwiches, burgers, pizzas, quesadillas, tacos, salads, wraps, and other pub-style food, and alcoholic and non-alcoholic beverages.

The total investment necessary to begin operation of a Restaurant is from \$540,000 to \$1,215,000. In each situation, the total investment necessary to begin operation of a Restaurant includes \$41,500 to \$46,500 that must be paid to us or our affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no 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 Jimmy Holt at 3475 Jersey Ridge Road, Ste. 3, Davenport, Iowa 52807, 563-214-1013, franchise@barrelhousepub.com.

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

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

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

Issuance Date: April 29, 2024

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Iowa. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Iowa than in your own state.
2. **Short Operating History.** The franchise is at any early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Going Concern.** The auditor's report on the franchisor's financial statements expresses substantial doubt about the franchisor's ability to remain in business. This means that the franchisor may not have the financial resources to provide services to support to you.
4. **Unregistered Trademark.** The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce your brand recognition of the products or services you offer.

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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ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this disclosure document, “we” means Barrel House Enterprises LLC, the franchisor. “You” means the person who buys the franchise. If a corporation, partnership or limited liability company buys a franchise, “you” also may refer to the shareholders of the corporation, partners of the partnership or members of the limited liability company.

The Franchisor

We are an Iowa limited liability company formed on August 27, 2020. Our principal place of business is at 3475 Jersey Ridge Road, Ste. 3, Davenport, Iowa 52807, and our telephone number is 563-214-1013. Our email address is franchise@barrelhousepub.com. Our agents for service of process are disclosed in Exhibit C.

Our Business Experience, Predecessors and Affiliates

We grant franchises for the operation of restaurants under the name “Barrel House” featuring hot and cold specialty sandwiches, burgers, pizzas, quesadillas, tacos, salads, wraps, and other pub-style food, and alcoholic and non-alcoholic beverages. We began offering franchises for Barrel House restaurants (“Restaurants”) in April 2021. Although we have not directly operated the type of business you will operate, our predecessor (see below) and several related entities currently operate Barrel House restaurants.

Our predecessor and affiliate, The Barrel House, L.L.C., an Iowa limited liability company (“TBH”) created the “Barrel House” concept and began operating Barrel House Restaurants in July 2011. TBH was formed in April 2011, and it owns the “Barrel House (and design)®” and “Barrel House™” trademarks, and other trademarks and service marks used in operating the System and licenses them to us for use in the System. TBH directly or through affiliated entities operates 6 Barrel House restaurants. TBH has not and does not currently offer franchises in any line of business. TBH shares its principal place of business with us.

Other than as described above, we have no affiliates, predecessors or parents required to be disclosed in this Item 1.

Franchise Offered

You will sign a “Franchise Agreement” to receive the right to own and operate a Restaurant at a location to which we have consented, offering the “Products” and any services we approve, and using our formats, designs, methods, specifications, standards, operating and marketing procedures and the Marks (as defined in Item 13), including the Mark “Barrel House” (collectively, the “System”).

Market and Competition

Barrel House restaurants offer hot and cold specialty sandwiches, salads, soups and alcoholic and non-alcoholic beverages, and other products to the customer. The customer base for Barrel House restaurants is broad, consisting of individuals who enjoy up-scale tavern food and alcoholic and non-alcoholic beverages, and includes local residents, college students, and people traveling to the area for work or pleasure. The market and competition are well developed and will include other franchised and company-owned restaurants offering (among other items) up-scale tavern food and alcoholic and non-alcoholic beverages.

Laws and Regulations

The restaurant industry is heavily regulated. Many of the laws, rules and regulations that apply to businesses generally also apply to Barrel House restaurants. All Barrel House restaurants must comply with federal, state and local laws applicable to the operation and licensing of restaurant businesses, including nutritional disclosure requirements, regulations affecting the content of foods served in restaurants and obtaining all applicable health permits and/or inspections and approvals by municipal, county or state health departments that regulate food and liquor service operations. Your Restaurant must also meet applicable municipal, county, state and federal building codes and handicap access codes. You should consider the cost and time required to comply with these laws and regulations when evaluating your prospective Restaurant.

You must secure a liquor license to sell alcoholic beverages at your Restaurant. The difficulty and cost of obtaining a liquor license, and the steps for securing the license, vary greatly from area to area. There is also wide variation in state and local laws and regulations that govern the sale of alcoholic beverages. In addition, state dram shop laws give rise to potential liability for injuries that are directly or indirectly related to the sale and consumption of alcohol.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture and state and local health departments administer and enforce regulations that govern food preparation and service and restaurant sanitary conditions. State and local agencies inspect restaurants to ensure that they comply with these laws and regulations.

The Federal Clean Air Act and various state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide and particles, including caps on emissions from commercial food preparation. Some state and local governments also regulate indoor air quality, including limiting the use of tobacco products in public places, such as restaurants.

You should investigate whether there are other regulations and requirements that may apply in the geographic area in which you are interested in locating your franchise and should consider both their affect and cost of compliance.

ITEM 2 BUSINESS EXPERIENCE

Jimmy Holt: President and Chief Executive Officer

Jimmy has served as our President and Chief Executive Officer since our inception in August 2020. Jimmy also serves as the President and Chief Executive Officer of The Barrel House, L.L.C. since July 2011.

Christopher Posey: Vice President

Chris has served as our Vice President since March 2024 in Davenport, Iowa. From August 2021 to March 2024 he served as our Director of Franchise Sales and Marketing. From March 2005 to August 2021, Chris served as Regional Sales Manager of One Step, Inc., a Davenport-based print, design and marketing company.

Nathan Miller: Director of Back of House

Nathan has served as our Director of Back of House since April 2022. From November 2021 to March 2022, he was a Crew Lead for a Raising Canes franchised restaurant in Davenport, Iowa. From January

2017 to October 2021, Nathan was the General Manager of a Hacienda Colorado franchised restaurant in Westminister, Colorado.

**ITEM 3
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4
BANKRUPTCY**

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

**ITEM 5
INITIAL FEES**

The “Initial Franchise Fee” for a single Restaurant is \$40,000. The Initial Franchise Fee is paid to us when you sign the Franchise Agreement and is not refundable under any circumstances. We currently offer veterans who were honorably discharged a \$5,000 discount off the Initial Franchise Fee for the first Restaurant. During 2023, all Initial Franchise Fees paid to us were in the amount of \$40,000.

Before you open your Restaurant, you also must pay us or one of our affiliates, as we designate, \$1,500 for a restaurant opening kit (“Opening Kit”). The Opening Kit will include business cards, brochures, ribbon-cutting materials, homeowner pre-mailers, door hangers, folders, envelopes, yard signs and other marketing materials. The payment for the Opening Kit is not refundable.

Within 30 days before you open your Restaurant and 30 days after you open your Restaurant, you must spend a minimum of \$5,000 on the Restaurant opening campaign that we have approved in advance (“Opening Campaign”). We reserve the right to collect the Opening Campaign amount directly from you and spend it on your behalf in connection with the Restaurant Opening Campaign. Any amounts we collect from you for the Opening Campaign are not refundable.

**ITEM 6
OTHER FEES**

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Royalty Fee	5% of total “Gross Sales” (See Note 2)	Payable weekly by electronic funds transfer (EFT) each Wednesday following the week (Monday to Sunday) during which the Gross Sales were made	
Marketing Fee	Currently 1% of Gross Sales	At the same time and in the same manner as the Royalty Fee	We may increase the Marketing Fee upon 30 days’ written notice to you, although the Marketing Fee will not exceed 3% of Gross Sales, and we will not increase the Marketing Fee more than once per calendar year.

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Local Marketing	Currently 1% of Gross Sales	Minimum amount must be spent during each calendar year	We may increase your required minimum local marketing expenditures upon 30 days' written notice to you, although the minimum required amount will not exceed 3% of Gross Sales. If you fail to spend this amount, we may collect the difference between what you should have spent and what you actually spent for deposit into the System Marketing Fund.
Advertising Cooperative	In the future, we may require you to participate in local or regional advertising cooperatives	Established by us	Your contributions to any regional or local advertising cooperatives will be credited toward your local marketing obligations.
Technology Fee	Currently \$250 per month	Payable by EFT within seven days after each calendar month	We may adjust the amount of the Technology Fee once per calendar year.
Incentivio Loyalty, Rewards and Delivery App Fee	Currently \$200 per month plus incurred monthly purchase fees	Payable by EFT within seven days after each calendar month	The monthly purchase fees will vary, based on the amount Incentivio charges us for your use of the "Incentivio App" each month.
Late Fee	\$100 per occurrence, plus any bank charges	When incurred	The late fee is not interest or a penalty, but is to compensate us for increased administrative and management costs due to your late payment. This fee does not limit our rights to other available remedies.
Prohibited Product Fee	\$250 per day	When incurred	This is charged as consideration for the expenses we incur if you fail to comply with the terms of the Franchise Agreement or the Operations Manual. This fee does not limit our rights to other available remedies.
Additional Initial Training Program	Currently \$500 per day plus our costs and expenses	When incurred	If you appoint a new Operating Principal or general manager, those individuals must attend our initial training program. We may charge you our then-current fee for those new individuals. You also must pay any related travel, room and board expenses
Supplemental or Refresher Training	Currently \$500 per day plus our costs and expenses	When incurred	We may require your Operating Principal and any general manager to attend all supplemental and refresher training programs that we designate for up to 7 days each calendar year. We will charge you our then-current fee for these supplemental and refresher training programs. You also must pay any related travel, room and board expenses we or you incur.
Income and Sales Taxes	We may collect from you the cost of all taxes arising from our licensing of intellectual property to you in the state where your Restaurant is located, as well as any related assessment.	When applicable, payable 15 days after invoiced by us	Only imposed if state collects these taxes or assessments and we seek reimbursement.
Approved Supplier/Product Testing Fee	Currently, \$500 per request plus the costs and expenses we incur	Payable when you request our approval of a proposed supplier or product	We may require you to pay the actual cost of the inspection and evaluation, including the cost of our time spent evaluating the alternative product or supplier.
Relocation Fee	50% of then-current standard initial franchise fee	Payable before we review the proposed new Restaurant site	If you desire to relocate your Restaurant, you must obtain our consent and pay us the Relocation Fee. (See Note 3).

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Transfer Fee	50% of then-current standard initial franchise fee for new Barrel House franchisee-transferees 25% of then-current standard initial franchise fee for existing Barrel House franchisee-transferees \$5,000 if less than a controlling interest in you is transferred	Before completion of transfer	You must pay us \$5,000 of the Transfer Fee when you notify us of your request to transfer. We will refund this amount to you, less any costs and expenses, if we do not accept the proposed transferee. You will pay the remaining amount of the Transfer Fee to us once we accept the proposed transferee, at which time the Transfer Fee is non-refundable. For transfer of a non-controlling interest, you must pay us a non-refundable \$5,000 when you request the transfer.
Renewal Fee	20% of then-current standard initial franchise fee	At least 30 days before renewal of Franchise Agreement	
Remodeling Expenses	Will vary under circumstances	When incurred	(See Note 4).
Costs and Attorneys' Fees	Will vary under circumstances	When incurred	We may recover costs and reasonable attorneys' fees if you lose in a dispute with us.
Audit	Cost of audit (including the charges of any independent accountants and the travel expenses, room and board and compensation of our employees) plus interest from due date	15 days after receipt of report	Payable only if audit shows an understatement of at least 2% of Gross Sales for any month
Interest Expenses	Lesser of 18% per year or the maximum rate permitted by law	When due	Payable if you do not timely pay Royalty Fee, Marketing Fee or other amounts owed to us or our affiliates
Insurance	Cost of insurance plus late charges and administrative fee	Payable before opening	If you do not obtain and maintain required insurance, we may obtain insurance and you must reimburse us for insurance, including late charges, together with an administrative fee equal to 5% of the insurance premium.
Operating Assistance	Currently, \$500 per day plus our costs and expenses	When incurred	We may provide you with additional operating assistance for a fee. You may request such assistance or we may require such assistance.
Management Fee	Currently, \$500 per day plus our costs and expenses	When incurred	While you are in default, we may manage the Restaurant, or designate a third party to manage the Restaurant, and we will charge you our then-current management fee, plus our costs and expenses.
Mystery Shopper Program Expenses	Cost of third-party mystery shopper services	When incurred	Payable if we establish a mystery shopper program and seek reimbursement for third-party fees related to your Restaurant

Notes:

- (1) Except where otherwise noted, all fees are payable to us, are non-refundable, and are uniformly imposed.
- (2) "Gross Sales" means the aggregate amount of all sales of all food and beverages, and other goods and services, whether for cash, on credit or otherwise, made or provided at or in connection with the Restaurant, including off-premises sales and monies derived at or away from the Restaurant. The term "Gross Sales" does not include: (1) any federal, state, municipal or other sales, value added or retailer's excise taxes paid or accrued by you; and (2) adjustments for net returns on salable goods and discounts allowed to customers on sales; or (3) discounts for meals for Restaurant employees. Gross Sales will not be adjusted for uncollected accounts. We reserve the right to modify our policies and practices regarding revenue recognition, revenue reporting, and the inclusion or exclusion of certain revenue from "Gross Sales" as circumstances, business practices,

and technology change. If the state or local jurisdiction in which the Restaurant is located prohibits or restricts in any way your ability to pay royalties and/or the marketing fund contributions on the sale of alcoholic beverages, you will be required to pay such fees/contributions at an increased percentage to offset the amount prohibited or restricted by law.

- (3) You must pay us 50% of the Relocation Fee to us when you request to relocate the Restaurant, and this part of the Relocation Fee refundable to you, less any costs and expenses we incurred, if you fail to find a new location for your Restaurant. You must pay the remaining 50% to us upon our acceptance of your proposed new location for the Restaurant. The Relocation Fee is not refundable once we accept the proposed new location for the Restaurant.
- (4) You must make such reasonable capital expenditures necessary to remodel, modernize and redecorate the Restaurant premises and to replace and modernize the supplies, fixtures, signs, and equipment used in your Restaurant so that your Restaurant reflects the then-current physical appearance of new Barrel House restaurants. We may require you to take such action: (1) 5 years after the date of the Franchise Agreement; (2) as a condition to transfer; (3) as a condition of renewal; and (4) otherwise during the term of the Franchise Agreement as further described in the Operations Manual. We cannot estimate the current cost for a remodeling project because remodeling requirements will vary from restaurant to restaurant. You may make these payments in whole or in part to various third parties. If you relocate your Restaurant, you will likely incur certain build-out or remodeling expenses at the new Restaurant premises in addition to paying us the relocation fee.

ITEM 7
ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure (See Note 1)	Amount (See Note 2)	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee See Note 3	\$40,000	Lump Sum	When you sign the Franchise Agreement	Us
Rent (3 months) and Security Deposit See Note 4	\$10,000 - \$25,000	As Agreed Upon	As Incurred	Landlord
Utility & Deposits	\$5,000 - \$10,000	As Agreed Upon	As Incurred	Landlord, Various Third Parties
Licenses & Permits See Note 5	\$5,000 - \$35,000	As Incurred	Before Opening	Local government agencies and Various Third Parties
Design & Architectural Fees	\$15,000 - \$28,000	As Agreed Upon	As Incurred	Various Third Parties
Leasehold Improvements See Note 6	\$150,000 - \$500,000	As Agreed Upon	As Incurred	Landlord and Various Third Parties
Signage See Note 7	\$10,000 - \$35,000	As Incurred	As Incurred	Various Third Parties
Furniture & Fixtures See Note 8	\$50,000 - \$100,000	As Agreed Upon	Before Opening	Approved Suppliers or Us
POS/Back Office System See Note 9	\$5,000 - \$10,000	As Incurred	Before Opening	Approved Suppliers and Us
Equipment See Note 10	\$150,000 - \$260,000	As Incurred	Before Opening	Designated Suppliers, Approved Suppliers or Us
Professional Fees See Note 11	\$5,000 - \$15,000	As Incurred	As Incurred	Various Third Parties
Initial Inventory See Note 12	\$20,000 - \$40,000	As Agreed Upon	As Ordered	Approved Suppliers and Us
Insurance (Quarterly) See Note 13	\$3,500 - \$7,000	As Incurred	Before Opening	Various Third Parties
Training Expenses See Note 14	\$5,000 - \$20,000	As Incurred	Before Opening	Various Third Parties

Type of Expenditure (See Note 1)	Amount (See Note 2)	Method of Payment	When Due	To Whom Payment Is To Be Made
Grand Opening Advertising See Note 15	\$6,500 - \$15,000	As Incurred	As Ordered	Approved Media Vendors, Us or Our Affiliate
Additional Funds - 3 Months See Note 16	\$60,000 - \$75,000	As Incurred	As Incurred	Various Third Parties
TOTAL See Note 17	\$540,000 - \$1,215,000			

Notes:

- (1) Factors Impacting Expenses. The typical size of a Barrel House restaurant is approximately 3,500 to 5,000 square feet, plus approximately 500 square feet for a paved outdoor patio. For several items discussed below, your cost will increase as the number of square feet increases. A variety of factors may impact the size of your Restaurant such as the landlord, municipality or zoning board requirements or restrictions, layout of the Restaurant, and availability and cost of leased or purchased space. This table reflects your estimated initial investment for a single Restaurant operated under a Franchise Agreement.
- (2) Amount/Refundability. Except where otherwise noted, all fees that you pay to us are non-refundable. Third party lessors, contractors and suppliers will decide if payments to them are refundable. We do not provide financing for any amounts payable to us or our affiliates.
- (3) Initial Franchise Fee. You will pay us the Initial Franchise Fee as more fully described in Item 5. We also offer a discounted Initial Franchise Fee to qualified veterans, as more fully described in Item 5.
- (4) Rent and Security Deposit. Depending on the market conditions and other factors in your geographic area, the cost associated with the Restaurant premises may vary from the estimates provided in this Item 7. Our estimates (for 3 months) assume that you will lease the Restaurant premises. The exact cost or impact on your rental expense will depend on several factors, including the condition of the premises, the landlord's agreement to reimburse you for certain improvements, the size and location of the premises for your Restaurant, and other economic factors. If you purchase the land and building for your Restaurant, you will incur significantly greater costs in developing your Restaurant.
- (5) Licenses and Permits. This amount includes estimated expenses for local license and permit fees. The high end of this range also includes a liquor license.
- (6) Leasehold Improvements. Assuming that you will lease the premises for your Restaurant, you will need to make certain leasehold improvements to the leased premises to comply with our approved plans and specifications. Leasehold improvements include plumbing systems, electrical systems, mechanical systems, lighting, flooring and partition walls. We anticipate that you likely will negotiate the cost of leasehold improvements as part of your rental expense. The exact cost or impact on your rental expense will depend on several factors, including the condition of the premises, whether you elect to do more than the minimum required renovations, the landlord's agreement to reimburse you for certain improvements, the size and location of the premises for your Restaurant and other economic factors. We estimate that you will pay approximately \$35 to \$85 per square foot in rental expense (including common area maintenance (CAM) and taxes) for your Restaurant premises. The exact amount of rental expense will vary greatly, depending on the location of the Restaurant premises, the size of the premises, the portion of rent representing the value of leasehold improvements at the Restaurant premises, local market conditions and other

factors. You will incur greater start-up costs if you cannot negotiate the cost of leasehold improvements as part of your rental expense.

- (7) Signage. We require you to purchase interior and exterior signs that meets our specifications. Local sign codes will dictate the type of signs that is allowed on certain properties and in certain areas.
- (8) Furniture and Fixtures. This amount includes estimated expenses for restaurant and bar furniture, menu boards, waste containers, office supplies, a safe, AV equipment, tables, chairs, and other miscellaneous items. Your costs may vary as a result of the characteristics of the Restaurant site, price differences among suppliers, and shipping distances from suppliers. We may require you to purchase certain equipment and other items from us or our approved suppliers. You may purchase or lease approved brands and models of other equipment, fixtures and furniture from any approved supplier.
- (9) POS/Back Office System. We require you to purchase the designated Restaurant point-of-sale system described further in Item 11, which includes certain computer hardware and software. In certain situations, you may be able to obtain part of this system at a discount through us.
- (10) Equipment. This amount includes estimated expenses for kitchen and bar equipment, smallwares/food equipment, security system, phone system, office equipment and other miscellaneous equipment. The cost of purchasing the equipment and other items may vary as a result of the characteristics of the Restaurant site, price differences among suppliers, and shipping costs from suppliers. We may require you to purchase certain equipment from us or our designated suppliers. You may purchase or lease approved brands and models of other equipment from any approved supplier.
- (11) Professional Fees. We recommend that you employ an attorney, an accountant and any other consultants necessary to assist you in establishing your Restaurant. These fees may vary from location to location depending upon prevailing rates.
- (12) Initial Inventory. You will need to purchase opening inventory that complies with our specifications and is purchased from us or approved suppliers. We may be an approved supplier for certain items. This amount does not reflect amounts needed to replenish inventory during the initial stage of operation. See Item 8 for additional information.
- (13) Insurance. The insurance estimate reflects insurance costs for a period of 3 months.
- (14) Training Expenses. Training expenses include salaries, benefits, lodging, meals and travel expenses for 3 people to attend the initial training program.
- (15) Grand Opening Advertising. This amount includes estimated expenses for the Opening Kit described in Item 5 and the Opening Campaign, as well as additional print media, neighborhood marketing, and other initial marketing efforts that you determine to be beneficial for your market.
- (16) Additional Funds – 3 Months. This amount estimates the expenses you will incur during the first 3 months of Restaurant operations, including initial wages and fringe benefits, uniforms costs, taxes, maintenance and service contracts, repairs, and interest payments on any business loans as well as on any interim financing or construction loans. It does not include inventory costs beyond the opening inventory costs identified in the table and does not include your compensation during this 3-month period. Your costs will depend on factors such as how much you follow our systems and procedures, your management skills and experience, local economic conditions, the local market for the Barrel House concept and products, the prevailing wage rate, competition, the

amount of the initial investment you decide to finance, and the sales level reached during the initial period.

- (17) **Total.** This total is an estimate of your pre-opening initial investment and the expenses you will incur during the first 3 months of Restaurant operations. This total is based on our estimate of regional average costs and prevailing market conditions and our management team’s experience operating quick-service restaurants. You should review this information carefully with a business advisor before deciding to purchase the franchise.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure a uniform image and uniform quality of products and services throughout the Barrel House system, you must maintain and comply with our quality standards.

Designated Products and Services

You must purchase for use or sale at your Restaurant those food products and alcoholic and non-alcoholic drinks used in or sold at your Restaurant and other services or products we designate from us, our designees or from other suppliers we approve. We, our affiliates or our designees may be the designated or sole source of supply for certain services and products.

We currently are the designated supplier for certain spices, sauces and other related food products. Additionally, we are the designated supplier for uniforms and other brand-specific clothing used in the operation of the Restaurant and the Incentivio App.

Performance Food Group (“PFG”) currently is our designated supplier of certain food and paper products required for the operation of your Restaurant. If your Restaurant is located in an area that is not serviced by PFG, we will designate an alternative supplier as necessary.

If you choose to use third-party delivery services (e.g. UberEats, DoorDash, etc.) at your Restaurant, we have the right to require that you only use specific vendors, who have been approved by us, for such services. We reserve the right to require that you use a specific vendor for the system that enables automatic order integration between such third-party vendors and the point-of-sale system. We further reserve the right to adjust royalties, fees, and other policies, as necessary, to account for changes in the volume of orders received, and the fees associated with, third-party delivery services.

Location of your Restaurant

You must locate a site for your Restaurant that we consent to, and you may not sign a lease or enter into a purchase agreement to acquire any land or building for the site until we have given our consent in writing. We approve locations on a case by case basis, considering items such as size, appearance, and other physical characteristics of the site, demographic characteristics, traffic patterns, competition from other businesses in the area and other commercial characteristics, such as purchase price and financing if you are acquiring the land and buildings and rental obligations and other lease terms (including those that we require be in the lease) if you lease the premises for your Restaurant. You are not required to purchase, lease or sublease the Restaurant premises from us or our affiliate.

Building Construction and Leasehold Improvements; Fixtures, Equipment, Furniture & Signs

You must satisfy our specifications and standards in constructing and developing your Restaurant. We will furnish to you prototypical drawings and specifications for your Restaurant, including requirements

for overall dimensions, interior and exterior materials, décor, fixtures, equipment, furniture and signs. You must retain a licensed architect we designate or approve and submit working drawings, construction and architectural plans and specifications to us for our approval before you begin construction of your Restaurant. You must submit all revised plans and specifications to us during the course of construction. You must ensure that the plans and specifications comply with the Americans with Disabilities Act and all other applicable federal, state and local laws, ordinances, building code and permit requirements and lease requirements and restrictions. In developing and operating your Restaurant, you may purchase only the types of construction and decorating materials, fixtures, equipment, furniture and signs that we require and have approved as meeting our specifications and standards for quality, design, appearance, function and performance. We or an affiliate may be an approved supplier of one or more of these items.

Computer Hardware and Software

We currently require you to purchase the point-of-sale system we designate. Currently, Toast is our designated third-party supplier for the POS system. See Items 7 and 11 for further information. You also must obtain and use in the Restaurant certain designated software applications, which currently includes Untapped (a geo-social networking service and mobile phone application), and Restaurant365 (cloud-based accounting, inventory, scheduling, payroll, and HR software developed specifically for restaurants). We currently are the designated supplier of the Incentivio App.

Insurance

You must purchase and maintain in force, at your expense, insurance at a minimum in the types of coverage and amounts we specify in the Operations Manual or otherwise in writing. All insurance policies must insure you, us and our affiliates and their respective officers, directors and employee, and any other person that we designate from all liability, damages or injury, must be purchased from an approved supplier, must, as applicable, include primary and non-contributory endorsement or language in form and content that we periodically require, and must meet all other requirements that we designate. You will provide us with copies of the certificate of insurance, insurance policy endorsements and other evidence of compliance with these requirements as we periodically require at least 2 weeks before you take possession and commence development of the Restaurant premises and at such other times as we may require. In addition, you will provide to us a copy of the evidence of the renewal or extension of each insurance policy in a form we require.

Advertising and Promotional Approval

If we provide local Restaurant media planning assistance, you can use our recommended media plan in promoting the Restaurant or otherwise develop, and obtain our advance written approval to, an alternative plan. You also must use only our approved advertising and promotional materials in promoting the Restaurant. See Item 11 for further information regarding advertising programs.

Gift Card and Loyalty Programs

You must, at your expense, participate in, and honor all provisions of any gift card or loyalty programs we establish, and use any designated providers we specify for such programs. In addition, you must participate in and the Restaurant must use the Toast online gift card program.

Supplier and Product Approval

We will provide you with lists of approved manufacturers, suppliers and distributors (“Approved Suppliers List”) and approved products and services, other inventory items, fixtures, furniture, equipment, signs, supplies and other items or services necessary to operate your Restaurant (“Approved Supplies List”).

The Approved Suppliers List may specify the specific manufacturer of a specific product or piece of equipment and you can purchase those products only from a source identified on the Approved Suppliers List. We, an affiliate or a third-party vendor or supplier periodically may be the only approved supplier for certain products. The lists specify the suppliers and the products and services that we have approved for use in the System. We may revise these lists and provide you with a copy of approved lists as we deem advisable. If you propose to use any products, material, fixture, equipment, sign or other item which we have not approved, or purchase any items from any supplier that we have not approved, you must first notify us in writing and must provide us with sufficient information, specifications, samples photographs, drawings or other information to permit us to determine whether the product, service, material, fixture, equipment, sign or other item (or brand of such item) complies with our specifications, or the supplier meets our approved supplier criteria. We will notify you of our decision within 30 days following our receipt of all information requested. You must pay the reasonable cost of the inspection and evaluation, which currently is \$500 per request, plus the costs and expenses we incur. We may re-inspect the facilities and products of any supplier or approved item and revoke our approval of any item or supplier which fails to continue to meet any of our criteria. We will send written notice of any revocation of an approved supplier or supply. As part of the approval process, we may require that a proposed supplier sign a supplier agreement covering such items as insurance, product quality, trademark use, and indemnification. We do not provide material benefits to you based on your use of designated or approved sources of supply.

We apply certain general criteria in approving a proposed supplier, including the supplier's quality and pricing of products, ability to provide products/services that meet our specifications, responsiveness, ability to provide products/services within the parameters required by the System, quickness to market with new items, financial stability, credit program for franchisees, freight costs, and the ability to provide support to the System (merchandising, field assistance, education and training respecting sales and use of products and services).

We will notify you in writing if we elect to revoke our approval of a supplier. If we revoke our approval of a supplier, you will have 30 days to stop offering, selling or using those products or other items or services in your Restaurant.

For the fiscal year ending December 31, 2023, we received \$11,135 in revenue as a result of franchisee purchases (9.1% of our total revenue of \$121,792).

One or more of our officers have an interest in us. No officer owns a material interest in any other supplier.

Miscellaneous

We negotiate prices for numerous products for the benefit of the System, but not for any individual franchisee. We are not aware of any purchasing or distribution cooperative in the System. We may attempt to receive volume discounts for the System.

We (directly or through an affiliate) may derive revenue directly or in the form of rebates or other payments from suppliers, based directly or indirectly on sales of Products, advertising materials and other items to franchisees, and from other service providers. These payments have ranged or may range from less than 1% up to 10% or more of the total purchase price of those items.

We estimate that the purchase or lease of products, equipment, software, signs, fixtures, furnishings, supplies, advertising and sales promotions materials and other items that meet our specifications will represent approximately 80% to 90% of the cost to develop the Restaurant and 30% to 50% of the cost to operate your Restaurant.

**ITEM 9
FRANCHISEE’S OBLIGATIONS**

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

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 2 and 6(A) of Franchise Agreement	Items 7, 8, 11, and 12
b. Pre-opening purchases/leases	Sections 6(B)-(D), 6(F)-(G) of Franchise Agreement	Items 7, 8 and 11
c. Site development and other pre-opening requirements	Sections 6(A)-(G) and 7(A) of Franchise Agreement	Item 5, 7, and 11
d. Initial and ongoing training	Sections 1(E), 3(B)(4), 7(B)-(C) and 14(D)-(E) of Franchise Agreement	Items 5, 7 and 11
e. Opening	Sections 6(E)-6(G) and 7(C) of Franchise Agreement	Items 5 and 11
f. Fees	Sections 3(B), 4, 5(A)-(C), 6(D), 6(F)-(H), 7(B), 7(D), 8(E), 9(K), 9(K)-(L), 11(C), 14(B)-(D), 15(D) and 18(D) of Franchise Agreement	Items 5, 6 and 7
g. Compliance with standards and policies/Operations Manual	Sections 3(B), 5(B)-(D), 6, 7(D)-(E), 8(A), 9 and 4(B) of Franchise Agreement	Items 11 and 16
h. Trademarks and proprietary information	Sections 1(A)-(C), 2(A)-(B), 6(D), 8, 9(J), 9(M), 12, 13(C)-(E), 16(A) of Franchise Agreement	Items 13 and 14
i. Restriction on products/services offered	Sections 1(G), 1(I), 2, 4(F), 7(E), 8(B)-(C), 9(C), 9(E) and 9(I) of Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	Sections 9(E)-(H) of Franchise Agreement	Items 11 and 16
k. Territorial development and sales quotas	Sections 2(B) and 2(C) of Franchise Agreement	Items 11 and 12
l. Ongoing product/service purchases	Sections 6(C)-(D) and 9 of Franchise Agreement	Items 8 and 11
m. Maintenance, appearance and remodeling requirements	Sections 3(B), 9(A)-(B) and 9(I) of Franchise Agreement	Items 6 and 11
n. Insurance	Section 9(L) of Franchise Agreement	Items 6, 7 and 8
o. Advertising	Sections 5, 6(F)-(G), 9(I) and 12(B) of Franchise Agreement	Items 6, 7 and 11
p. Indemnification	Section 17 of Franchise Agreement	None
q. Owner’s participation/management/staffing	Sections 9(D) and 9(K) of Franchise Agreement	Items 11 and 15
r. Records and reports	Section 10 of Franchise Agreement	Item 6
s. Inspections and audits	Section 11 of Franchise Agreement	Item 6
t. Transfer	Section 14 of Franchise Agreement	Items 6 and 17
u. Renewal	Section 3 of Franchise Agreement	Items 6 and 17
v. Post-termination obligations	Sections 13(B), 13(D) and 16 of Franchise Agreement	Item 17
w. Non-competition covenants	Section 13 of Franchise Agreement	Item 17
x. Dispute resolution	Sections 18 of Franchise Agreement	Item 17

**ITEM 10
FINANCING**

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

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

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

Pre-Opening Assistance. Before you open your Restaurant, we will:

- (1) Provide reasonable consulting services in your evaluation and selection of a site for the Restaurant and consent to the Restaurant site (Franchise Agreement – Section 7(A) and Exhibit B).
- (2) Provide you with prototype drawings and specifications for your Restaurant, reflecting our requirements for dimensions, interior design and layout, building materials, fixtures, equipment, furniture, signs and décor (Franchise Agreement – Section 7(A)).
- (3) Provide the initial training program described below to your “Operating Principal” (as defined in Item 15) and two key management personnel (Franchise Agreement – Section 7(B)).
- (4) Provide to you access to the confidential Operations Manual. You must keep the Operations Manual confidential and discontinue using it when the Franchise Agreement terminates (Franchise Agreement – Section 7(E)).
- (5) Make available to you the Computer System that we have selected for the System as described further below (Franchise Agreement – Section 6(D)).
- (6) Provide you with lists of approved suppliers and approved products, equipment, or services necessary to operate your Restaurant (Franchise Agreement – Section 6(C)).

We are not required to assist you with conforming your Restaurant to any ordinances or codes, or hiring any employees.

Ongoing Assistance. During the operation of your Restaurant, we will:

- (1) Provide you with on-site assistance for 3 to 5 days to assist you in the opening and initial operations of the Restaurant (Franchise Agreement – Section 7(C)).
- (2) Provide advisory services relating to Restaurant operations, including Products and services offered for sale, selecting, purchasing and marketing other approved materials and items, marketing assistance and sales promotion programs, and general administrative and operating procedures (Franchise Agreement – Section 7(D)).
- (3) Periodically provide you with updated and revised materials for the Operations Manual (Franchise Agreement – Section 7(E)).
- (4) Operate the System Marketing Fund (Franchise Agreement – Section 5(A)).

Advertising Programs. We establish and conduct certain advertising programs as follows:

You will pay to us for deposit in a marketing and promotional fund (the “System Marketing Fund” or “Fund”) a weekly marketing fee (the “Marketing Fee”) equal to 1% of Gross Sales. We reserve the right to increase the Marketing Fee upon 30 days’ written notice to you, provided that the Marketing Fee will not exceed 3% of Gross Sales and we will not increase the Marketing Fee more than once per calendar year. We will place all Marketing Fees we receive in the System Marketing Fund and will manage the Fund. We also will contribute to the System Marketing Fund for each Barrel House restaurant that we operate in the United States at the same percentage rate as a majority of Barrel House restaurants must pay to the System Marketing Fund. Reasonable disbursements from the Fund will be made solely to pay expenses we incur in connection with the general promotion of the Marks and the System, including the cost of formulating, developing and implementing national, regional and local marketing advertising, marketing, promotional and public relations campaigns; and the reasonable costs of administering the Fund, including the cost of employing advertising, public relations and other third party agencies to assist us and providing promotional brochures and advertising materials to Barrel House restaurants and to regional and local advertising cooperatives, as well as accounting expenses and the actual costs of salaries and fringe benefits paid to our employees engaged in administration of the Fund. The System Marketing Fund is not a trust or escrow account, and we have no fiduciary obligations regarding the Fund. We cannot ensure that you will benefit directly or on a pro rata basis from the future placement of any such advertising in your local market. We may spend in any fiscal year an amount greater or less than the aggregate contributions of Barrel House restaurants to the System Marketing Fund in that year. We may, through the System Marketing Fund, furnish you with approved local marketing plans and materials on the same terms and conditions as plans and materials we furnish to other Barrel House restaurants. We will determine the methods of advertising, media employed and scope, contents, terms and conditions of advertising, marketing, promotional and public relations campaigns and programs. We will not use the System Marketing Fund for activities directed at the solicitation of new franchise sales. Upon written request, we will provide you an annual unaudited statement of the receipts and disbursements of the System Marketing Fund for the most recent calendar year.

During our fiscal year ended December 31, 2023, the System Marketing Fund was used for the following purposes: 9% was spent on website and SEO location fees, 34% on management fees, 7% on social media advertising, 46% on targeted geofenced digital ads, and 4% on printed materials and applicable design fees.

We may develop, and make available to you, local restaurant media planning assistance. If we do so, you must use our recommended media plan in promoting the Restaurant or otherwise develop, and obtain our advance written approval to, an alternative media/promotion plan. In addition, you will use only our approved advertising and promotional materials in promoting the Restaurant. If you desire to use any advertising or promotional materials in promoting the Restaurant which we previously have not approved, you must submit all materials to us for our approval before using any such materials, which approval will not be unreasonably withheld. If we do not disapprove those advertising or promotional materials within 10 days after you submit those materials to us, then you may use the materials, although we reserve the right to later disapprove those materials. If you use any advertising or promotional materials without submitting those materials to us or if you use materials we disapprove, in addition to any separate remedies we may have, any amounts spent on those materials will not be credited toward your local marketing obligations described below.

As described in Item 5 and Item 7, during the period beginning 30 days before the opening of your Restaurant and ending 30 days following such opening, you must spend a minimum \$5,000 on a Restaurant opening campaign that we have approved in advance. You will use our designated media vendor (if any) and must implement our recommended media plan (if any) in conducting the Restaurant opening campaign. We reserve the right to collect the \$5,000 directly from you and spend it on your behalf in connection with the Restaurant opening campaign. On or before the last day of each month during the first 3 months of

Restaurant operations, you must provide us with an accurate accounting of Restaurant opening campaign (advertising and marketing) expenses.

In addition to the Marketing Fee described above, you will spend a minimum of 1% of Gross Sales during each calendar year on “approved” Restaurant marketing and promotional activities in your local geographic area. We reserve the right to increase your required local marketing expenditures upon 30 days’ written notice to you, provided that your required minimum local marketing expenditures will not exceed 3% of Gross Sales. On or before February 15 of each year, you will provide us with an accounting of the funds that you have spent on local marketing for the preceding calendar year. If you fail to spend the minimum amount required for the calendar year on approved local marketing, you will deposit with us the difference between what you should have spent on approved marketing during the calendar year and what you actually spent on approved marketing during the calendar year. We will deposit that amount in the System Marketing Fund.

You will participate in, support and contribute a proportionate share of the cost of any regional or other geographic cooperative marketing programs we designate. Each Barrel House restaurant located within the designated area of a cooperative will be a member of the cooperative. We or members of the cooperative and their designated officials may be responsible for administering the cooperative. Barrel House restaurants that we or our affiliates own and operate are not obligated to participate in any cooperative we form or approve. Each cooperative must adopt written governing documents, which must reflect any form documents that we provide to franchisees or otherwise approve. A copy of the governing documents of the cooperative (if one has been established) for your market area will be available upon request. The cooperative will determine the amount of your contribution, although we may designate the contribution amount if the cooperative is unable or unwilling to designate the amount of the contribution. In addition, we reserve the right to establish minimum and maximum contribution amounts. We reserve the right to designate regional and other geographic marketing or advertising markets, to establish marketing cooperatives and to establish the bylaws and other rules under which such cooperatives will operate. Your contributions to marketing cooperatives will be credited toward your local marketing obligations described above. As of the issuance date of this disclosure document, we have not established any advertising cooperatives.

As of the issuance date of this disclosure document, we do not have an advertising council composed of franchisees.

Computer System. You must purchase the computer, point-of-sale and reporting system, including all existing or future communication or data storage systems, components thereof and associated service, which we have developed or selected for the System (“Computer System”). The Computer System may include one or more proprietary or other designated software programs developed or customized for us (the “Designated Software”). You must use the Designated Software, and the Designated Software will remain the confidential property of us or our third-party supplier(s). You must enter into our or our designee’s standard form software license agreement in connection with your use of any Designated Software. We reserve the right to charge you an initial license fee related to your use of the Designated Software. You will pay the then-current fee (if any) for the Designated Software at or before the Designated Software is delivered to you. The Computer System may also include the use of various technology platforms, applications or services, which may include online ordering, third-party delivery services and other technology-based services as further described in the Operations Manual. You will pay the then-current fees associated with any technology platform we require to the designated third-party provider.

You must pay us a Technology Fee to offset our costs related to the Computer System. As of the issuance date of this disclosure document, the Technology Fee is \$250 per month. We may increase the Technology Fee on an annual basis.

As of the issuance date of this disclosure document, the required Computer System includes (at a minimum): two terminals, two displays, two tablets, one router, Ethernet components, the Toast point-of-sale software (including four handheld devices and KDS screens and one tower), invoice processing and food cost intelligence software and subscriptions to enterprise data management, and the Incentivio App. We also require you to obtain ExpandShare, our designated training platform tool, and Restaurant365, our designated planning and scheduling software. We currently require you to purchase your point of sale (POS) system from Toast. We estimate that the initial cost for the Computer System will range from \$5,000 to \$10,000. Financing for the Computer System may be available from our designated suppliers. With the exception of software fees covered by the Technology Fee and the Incentivio App Fee paid to us, all software fees are currently paid directly to the relevant approved third-party supplier. The current monthly license fees you must pay are: \$900 to \$2,000 for the Toast POS system and payroll software (depending on the number of handheld devices, screens and towers), \$530 for the Restaurant365 software, and \$200 plus monthly purchase fees (to us) for the Incentivio App.

You must have Internet access with a form of high-speed connection as we require. You will use an e-mail address we designate for communication with us. We have the right to designate a single source from which you must purchase the Computer System, any software or hardware components thereof or associated service, and we or our affiliates may be that single source. You will be required to use and, at our discretion, pay for all future updates, supplements and modifications to the Computer System, including any additions or modifications to any Designated Software. We also may independently access financial information and customer data produced by or otherwise located on your Computer System (collectively the "Customer Data"). During the Term, we and you will have joint ownership of the Customer Data that is stored on the Computer System, although you will be responsible for obtaining all customer consents necessary to allow us to use the Customer Data for various purposes as we may identify. We will periodically establish policies respecting the Customer Data. You must comply with all laws and regulations relating to privacy and data protection, and must comply with any privacy policies or data protection and breach response policies we periodically may establish. You cannot use the Customer Data for any purpose other than the operation of the Restaurant consistent with our standards of use. There are no contractual limitations on our right to access the information and data.

You may be required to obtain ongoing maintenance and repairs respecting the Computer System, as well as upgrades or updates respecting the Designated Software. We estimate the cost of optional or required maintenance, updates and upgrades will be \$0 to \$500 per year. There are no contractual limitations on the frequency and cost of additional maintenance or repair. You must incorporate these upgrades and updates to the Computer System. We, our affiliates, and third-party suppliers are not currently required to provide any ongoing maintenance, repairs, upgrades or updates to you.

Site Selection. If you already have a potential site for a Restaurant, you may propose the location to us. We may consent to the site after we have independently evaluated it. The site for the Restaurant will be identified in Exhibit A to the Franchise Agreement. If you do not have a proposed site, you will sign Exhibit B to the Franchise Agreement and will have 6 months following the date of the Franchise Agreement to identify a Restaurant site acceptable to us. We will provide you with our general site selection and evaluation criteria. You are solely responsible, however, for locating and obtaining a site which meets our standards and criteria and that is acceptable to us. If you sign Exhibit B to the Franchise Agreement and we cannot agree on a site for a Restaurant, we can terminate your Franchise Agreement.

You must submit to us a complete site report (containing information that we may reasonably require) for the proposed Restaurant site. The general site and evaluation criteria which you should consider include demographic characteristics of the proposed location, traffic patterns, parking, the predominant character of the neighborhood, the proximity to other businesses (including other Barrel House restaurants), and other commercial characteristics, and the proposed location, size of premises, appearance and other physical characteristics. We will notify you in writing within 30 days after we receive your complete site

report and other materials we request whether the proposed site satisfies our site selection criteria. Our review of a site for the Restaurant does not represent any recommendation or guaranty as to the success of the proposed site.

Development Time. The typical length of time between our acceptance of the Franchise Agreement and the opening of your Restaurant varies from 6 to 12 months. This period may be longer or shorter, depending on the time of year, availability of financing, local construction delays, how soon you can attend training or other factors.

Training. Before you open your Restaurant, we will provide the initial training program to your Operating Principal and two key management personnel. Our initial training program is conducted in Davenport, Iowa or an alternative location we designate. We currently plan to offer the initial training program as often as we determine is necessary during the upcoming year. The initial training program for the Operating Principal and general manager will take place over a period of up to 10 days. The initial training program includes classroom instruction and on-site training relating to Restaurant operations, understanding the equipment usage and maintenance, customer service, marketing and sales programs and methods of controlling operating costs. You may not open your Restaurant unless the Operating Principal and two key management personnel successfully complete the initial training program. If, during the initial training program, we determine that the Operating Principal or either of the two key management personnel is not qualified to manage the Restaurant, we will notify you and you must select and enroll a substitute person in the initial training program.

The initial training program consists of the following:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
History of Barrel House	1	0	Davenport, IA
Use of the Manual	1	0	Davenport, IA
Tour of Barrel House	1	0	Davenport, IA
Pre-Opening Procedures	1	0	Davenport, IA
Personnel Issues	1	2	Davenport, IA
Advertising	1	4	Davenport, IA
Management Procedures	1	16	Davenport, IA
Franchise Reporting Requirements	1	2	Davenport, IA
Accounting/Record keeping	1	4	Davenport, IA
Customer Service Procedures	1	16	Davenport, IA
Front/Back of House – Manager Duties	1	16	Davenport, IA
Back of House – Prep/Cook Procedures	1	16	Davenport, IA
Bar Area		16	Davenport, IA
Inventory Management	1	4	Davenport, IA
POS System	1	16	Davenport, IA

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Cleaning Procedures	1	4	Davenport, IA
Safety Procedures	1	4	Davenport, IA
Totals	16	120	

The initial training program will occur in Davenport, Iowa or another location we determine.

The instructional materials for all training programs include the Operations Manual, handouts and visual aids, and will include lecture, classroom discussion, hands-on demonstration and/or practice training at a Barrel House restaurant.

Nathan Miller will oversee the initial training program. Nathan has more than 14 years of management experience in the restaurant industry, including more than 2 years in managing Barrel House restaurants.

We do not charge a fee for the first three individuals to attend the initial training program. You are responsible for travel and living expenses that your Operating Principal and two key management personnel incur while attending the initial training program. See Item 7 for additional information on travel and living expenses.

We may require that the Operating Principal and two key management personnel attend all supplemental and refresher training programs that we designate for up to 7 days each calendar year. We may decide the time and place of training and may charge you a reasonable fee for these supplemental and refresher training programs.

We periodically may hold or sponsor franchise conventions and meetings relating to new Products, new operational procedures or programs, training, business management, sales and sales promotion, or similar topics. These franchise conventions and meetings may be optional or mandatory, as we designate. Your Operating Principal must attend, at your expense, all mandatory franchise conventions and meetings we may hold. If your Operating Principal cannot attend a convention or meeting, he or she must so notify us before the convention or meeting and must have a substitute person acceptable to us attend the event. We reserve the right to charge you a fee for any annual franchise convention or meeting that we sponsor or designate, regardless of your attendance.

You are solely responsible for the compensation, travel, lodging and living expenses you and your employees incur in attending the initial training program, supplemental or refresher training programs, and any franchise conventions or meetings. You also are solely responsible for paying your employees and providing all necessary insurance, including worker’s compensation insurance, for you and your employees, while you and your employees attend training or any franchise conventions or meetings.

Operations Manual. During the term of the Franchise Agreement, we will allow you to access our Operations Manual (the “Operations Manual”). The current table of contents of the Operations Manual is attached as Exhibit G to this disclosure document and has 396 total pages.

ITEM 12 TERRITORY

If your Restaurant is located in a “Market Area” (as defined below) with a population of less than 400,000, you will receive a “Protected Territory” equal to a 3-mile radius surrounding the Restaurant

location. If your Restaurant is located in a Market Area with a population of 400,000 or more, you will receive a “Protected Territory” equal to a 1-mile radius surrounding the Restaurant location. During the term of the Franchise Agreement, if you are complying with the provisions of the Franchise Agreement, we will not establish any other franchised or company-owned Barrel House restaurants in the Protected Territory. “Market Area” means the geographical area within a metropolitan area we identify with a population as determined by the most recent U.S. census.

You will not receive an exclusive territory. You may face competition from other franchisees, from businesses that we own or from other channels of distribution or competitive brands that we control. You will not receive an exclusive territory because we reserve the right to operate, or grant others the right to operate Barrel House restaurants at “Captive Market Locations” within your Protected Territory. The term “Captive Market Locations” includes airports or other transportation terminals, sports facilities, hospitals, college and university campuses, corporate campuses, a department within an existing retail store, hotels, grocery stores and other locations that do not have direct street access.

The location of the Restaurant and the Protected Territory will be identified in Exhibit A to the Franchise Agreement. If you do not have a site for your Restaurant when you sign the Franchise Agreement, you will sign Exhibit B to the Franchise Agreement and will have 6 months after the date of the Franchise Agreement to find a site for the Restaurant (acceptable to us) within the designated geographic area. Once we approve a location within the geographic area established in Exhibit B, we and you will then sign Exhibit A (which identifies the Protected Territory for your Restaurant). Maintenance of your Protected Territory is not dependent upon achieving certain sales volumes, market penetration or other contingency. Your Protected Territory will not be altered during the initial term of your Franchise Agreement, although it may be altered upon renewal of your franchise.

You may offer catering and delivery services in the Protected Territory to the extent we permit you to do so in writing, and only in compliance with the Franchise Agreement, the Operations Manual and other policies and requirements we impose. We reserve the right to terminate or restrict your right to offer catering and delivery services at any time following written notice. If neither we nor another franchisee operates in an area adjacent to your Protected Territory, you may offer catering and delivery services outside of your Protected Territory with our prior written consent. You acknowledge and agree that we retain all rights to all unassigned territory located outside of your Protected Territory, including those rights described below. We may elect to develop or sell any unassigned territory located outside of your Protected Territory at any time without prior notice or accommodation to you.

You may relocate your Restaurant only with our written consent, which we will not unreasonably withhold. If we permit you to relocate your Restaurant, you will pay us a relocation fee equal to 50% of our then-current standard initial franchise fee for services we will provide in assisting you in relocating your Restaurant. In addition, you will need to build out the Restaurant consistent with our then-current standards for new Restaurants.

We (for us and our affiliates) retain the right, without compensation to you:

1. to directly operate, or to grant other persons the right to operate, Barrel House restaurants at locations outside the Protected Territory;
2. to directly operate, or to grant other persons the right to operate, Barrel House restaurants at Captive Market Locations within and outside the Protected Territory;
3. to promote, sell and distribute anywhere the Products and the services authorized for sale at Barrel House restaurants under trademarks and service marks other than the Marks through similar or dissimilar channels of distribution;

4. to promote, sell, distribute and license the Products and the services authorized for sale at Barrel House restaurants as well as ancillary products and services such as food products, beverages, clothing, glassware and memorabilia under the Marks through dissimilar channels of distribution (*i.e.*, other than the operation of full-service Barrel House restaurants), including direct mail, wholesale activities, and by electronic means such as the Internet, and pursuant to conditions we deem appropriate within and outside the Protected Territory;

5. to acquire businesses that are the same as or similar to the Restaurant or other Barrel House restaurants and operate such businesses regardless of whether such businesses are located within or outside the Protected Territory, and to be acquired by any third party which operates businesses that are the same as or similar to the Restaurant or other Barrel House restaurants regardless of whether such businesses are located within or outside the Protected Territory; and

6. to promote the System and the Restaurants generally, including on the Internet (or any other existing or future form of one or more electronic commerce) and to create, operate, maintain and modify, or discontinue the use of websites using the Marks.

We recommend that you concentrate all advertising and other solicitation of customers inside the local geographic area of your Restaurant. You may not offer, promote or sell any products or services through any other channels of distribution, including the Internet (or any other existing or future form of electronic commerce). You will not have the right to subfranchise or sublicense any of your rights under the Franchise Agreement.

We do not grant to you any options, rights of first refusal or similar rights to acquire additional franchises within a particular territory.

As of the issuance date of this disclosure document, neither we nor any affiliate operates, franchises, or has any current plans to operate or franchise any business selling the Products and services authorized for sale at a Barrel House restaurant under any other trademark or service mark.

ITEM 13 TRADEMARKS

We grant you the right under the Franchise Agreement to operate your Restaurant under the name “Barrel House,” and other trademarks or service marks we identify (the “Marks”).

The following table lists only the principal Marks that you are licensed to use. We have filed all required affidavits and renewal registrations for the registered Marks listed below.

Principal Trademarks	U.S. Registration Or Serial No.	Registration/Application Date	Principal/Supplemental Register
	Reg. No: 6204413	Reg: Nov. 24, 2020	Principal
	Reg. No: 6417156	Reg: July 13, 2021	Principal
FOOD THAT LIFTS YOUR SPIRITS	Reg. No: 6417168	Reg: July 13, 2021	Principal

Principal Trademarks	U.S. Registration Or Serial No.	Registration/Application Date	Principal/Supplemental Register
WE CARE CULTURE	Reg. No: 7053491	Reg: May 16, 2023	Principal
BARREL HOUSE*	N/A	N/A	N/A

*Our affiliate, TBH, does not have a federal registration for this Mark. Therefore, the Mark does not have as many legal benefits and rights as a federally registered trademark. If our or our affiliate’s right to use the Mark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

Our affiliate, TBH, owns the Marks and has licensed us the right to use the Marks and to sublicense the use of the Marks to operate Barrel House restaurants under a trademark license agreement dated January 15, 2021 (the “License Agreement”). The License Agreement has an initial 10-year term, which will renew automatically unless one of the parties elects not to renew the License Agreement. TBH or we may terminate the License Agreement if the other party fails or refuses to perform any duty under the License Agreement. In addition, TBH may terminate the License Agreement if our misuse of the Marks materially impairs the goodwill associated with the Marks or if we do not comply with TBH’s instructions concerning the quality of the Marks. If the License Agreement is terminated, any then-existing sublicenses (franchises) will continue for the term of the sublicenses provided that the franchisees comply with all other terms of their Franchise Agreements. The License Agreement contains no other material limitations.

We have the right to periodically change the list of Marks. Your use of the Marks and any goodwill is to our exclusive benefit and you retain no rights in the Marks. You also retain no rights in the Marks when the Franchise Agreement expires or terminates. You are not permitted to make any changes or substitutions respecting the Marks unless we direct in writing. You may not use any Mark or portion of any Mark as part of any corporate or any trade name, or any modified form or in the sale of any unauthorized product or service, or in any unauthorized manner. You may not market, advertise or promote your Restaurant or conduct any business using the Marks on any website or otherwise on the Internet, including using social and professional networking sites to promote your Restaurant, except as provided in our written social media policy (if any) or with our prior written approval.

There currently are no effective material determinations by the U.S. Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any pending infringement, opposition or cancellation proceeding, or any pending material litigation, involving the principal Marks that are relevant to your use in any state. There are currently no agreements in effect that significantly limit our rights to use or license the use of any principal Marks in any manner material to the franchise.

You must immediately notify us of any apparent infringement of or challenge to your use of any Marks, and we have sole discretion to take any action we deem appropriate. We are aware of certain third parties operating other businesses under the name “Barrel House.” In certain situations, you may not be able to restrict their use of that name or may be prevented from using the mark “Barrel House” in certain geographic locations. Aside from certain third party use of the name “Barrel House,” we are unaware of any infringing uses or superior rights that could materially affect your use of the “Barrel House (and Design)” Mark.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of the Marks, or to participate in your defense or indemnify you. We reserve the right to control any litigation relating to the Marks and we will have the sole right to decide to pursue or settle any infringement actions relating to the Marks. You must notify us promptly of any infringement or unauthorized use of the Marks of which you become aware. If we determine that a trademark infringement

action requires changes or substitutions to the Marks, you will make these changes or substitutions at your own expense.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents or copyrights currently registered that are material to the franchise. We do claim copyright ownership and protection for the Operations Manual as well as our recipes, advertising copy and design, menu designs, written training materials, training videos and for certain other written materials we provide to assist you in operating your Restaurant.

We own certain proprietary or confidential information relating to the operation of Barrel House restaurants, including information in the Operations Manual and recipes (“Confidential Information”). You must keep confidential during and after the term of the Franchise Agreement the Confidential Information. When your Franchise Agreement expires or terminates, you must return to us all Confidential Information and all other copyright material. You must notify us immediately if you learn of an unauthorized use of the Confidential Information. We are not obligated to take any action and we will have the sole right to decide the appropriate response to any unauthorized use of the Confidential Information. You must comply with all changes to the Operations Manual at your expense. During the term of your Franchise Agreement, you and we will have joint ownership of Customer Data stored on your Computer System. As the Customer Data is Confidential Information, you must cease to use it when your Franchise Agreement expires or terminates. We will periodically establish policies respecting the Customer Data.

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

You must designate an individual we approve and who successfully completes our required training to be the operating principal (“Operating Principal”). If you are an entity, the Operating Principal is not required to own an equity interest in you. The Operating Principal is responsible for day-to day Restaurant operations. The Operating Principal assumes his/her responsibilities on a full-time basis and may not engage in any other business or other activity that requires any significant management responsibility, time commitments, or otherwise may conflict with his/her obligations. In addition, at all times, the Restaurant must be under the direct, on-site supervision of the Operating Principal or a general manager. The Operating Principal and general manager may be the same person. We recommend that the Operating Principal have food service experience.

Each individual who owns a 10% or greater interest in the franchisee entity is considered a “Principal Owner” and must sign the Guaranty and Assumption of Obligations attached to the Franchise Agreement. These people agree to discharge all obligations of the franchisee entity to us under the Franchise Agreement and are bound by all of its provisions, including maintaining the confidentiality of Confidential Information described in Item 14 and complying with the non-compete covenants described in Item 17.

The Restaurant must at all times be under the Operating Principal’s direct supervision, and the Operating Principal or a certified manager who has successfully completed our initial training program must be the on-site manager at the Restaurant at all times. You and the Operating Principal must at all times faithfully, honestly and diligently perform the obligations under this Agreement, and you and the Operating Principal must continuously use its best efforts to promote and enhance the business of the Restaurant. The Operating Principal must assume responsibilities on a full-time basis and must not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitments, or otherwise may conflict with your obligations.

If at any time the Operating Principal is not managing the Restaurant, we immediately may appoint a manager to manage the Restaurant for you and charge you a reasonable fee for these management services.

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

You must offer and sell in your Restaurant all, and only, those products and services that we have approved (see Item 8). You must at all times maintain an inventory of approved products and other items in such quantities and variety that we direct. We may add new Products or services that you must offer at or use in your Restaurant. Our right to modify the approved list of Products and services to be offered at the Restaurant is not limited.

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

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

Provision	Section in Franchise Agreement or Other Agreement	Summary
a. Length of the franchise term	Section 3	10 years.
b. Renewal or extension of the term	Section 3	If you are in good standing, you can renew the Franchise Agreement for 2 additional 5-year terms.
c. Requirements for you to renew or extend	Section 3	Provide advance notice, comply with current Franchise Agreement, satisfactorily complete any new/refreshers training programs, sign new agreement (which may contain materially different terms and conditions than your original Franchise Agreement), remodel, provide proof you will maintain possession of the Restaurant premises and remodel the Restaurant as necessary to comply with our then-current standards and specifications, pay renewal fee, and sign a general release of claims.
d. Termination by you	Section 15(A)	If you comply with the Franchise Agreement, and we fail to cure a material provision within 60 days after written notice.
e. Termination by us without cause	Not Applicable	Not Applicable
f. Termination by us with cause	Sections 15(B) and (C)	We may terminate the Franchise Agreement only if you default.
g. "Cause" defined – curable defaults	Sections 15(B) and (C)	You have 30 days to cure the following defaults: failure to open Restaurant when required, failure to complete training, failure to comply with System standards, failure to conform to System, the result of an audit discloses an understatement of Gross Sales of 2% or more, and a violation of any material provision of the Agreement. You have 10 days to cure a failure to pay amounts due us or any creditors and to cure the revocation or suspension of your liquor license. You have 72 hours to cure a health code violation.

Provision	Section in Franchise Agreement or Other Agreement	Summary
h. "Cause" defined – non-curable defaults	Sections 15(B) and (C)	Failure on 3 or more occasions in any 12 months to comply with any provision, any default which is not curable, you repeatedly deceive Restaurant customers, a material misrepresentation on franchise application, any of your managers (including the Operating Principal), directors, officers or any Principal Owner is convicted of, or pleads guilty to or no contest to a felony, a crime involving moral turpitude, or any other crime or offense that we believe will injure the System, the Marks or the goodwill associated therewith, or if we have proof that such person has committed such a felony, crime or offense, insolvency, an assignment of assets to creditors, Restaurant abandonment, defaults which injure the goodwill associated with the Marks, unauthorized assignment of agreement or interest, operation of the Restaurant results in a threat to public health or safety, your lease expires or is terminated, you falsify applications or reports.
i. Your obligations on termination/nonrenewal	Section 17 and 13(B)	Cease operation of the Restaurant and use of Marks, pay all amounts due us, stop using and return manuals and other materials, assign to us the Restaurant telephone number and telephone listing or (at our option) disconnect the telephone number, remove all signs and other materials containing any Marks, comply with obligations under any proprietary software license/access agreements, cancel all fictitious or assumed name filings, cease using Confidential Information, sell back to us or return all Products, and comply with all restrictive covenants (see also Item 17(o) and (r) below).
j. Assignment of contract by us	Section 14(A)	Assignee must fulfill our obligations under the agreement.
k. "Transfer" by you-defined	Section 14(B) and (C)	Includes transfer of franchise agreement to entity and transfer of Restaurant or its assets, or your interest in agreement or any significant ("controlling interest") ownership change.
l. Our approval of transfer by franchisee	Sections 14(B) and (C)	We have the right to approve all transfers of the Franchise Agreement, but will not unreasonably withhold approval.
m. Conditions for our approval of transfer	Section 14(C)	New franchisee qualifies and completes training, all amounts owed us or our affiliates are paid, and you are in good standing, new franchisee assumes existing Agreement or (at our option) signs then-current franchise agreement, we approve transfer agreement, transfer fee paid, lease assigned (if applicable), you sign non-compete agreement and general release.
n. Our right of first refusal to acquire your business	Section 14(F)	We can match any offer for your business.
o. Our option to purchase your business	Section 16(C)	When the Franchise Agreement expires or terminates, we may purchase assets at fair market value, less the value of any goodwill associated with our trademarks and other intangible assets.
p. Your death or disability	Section 14(D)	If the Principal Operator dies or is permanently disabled, his/her executor, administrator, or other personal representative must transfer his/her interest within a reasonable time, not to exceed twelve 12 months from the date of death or permanent disability, to a person we approve.
q. Non-competition covenants during the term of the franchise	Section 13(C) and (E)	No involvement in a Competing Business. A "Competing Business" means any business similar to the Barrel House restaurant, including an upscale tavern and/or upscale sports bar that distributes, sells or otherwise deals in, at wholesale or retail, upscale tavern food or other items similar to the Products, or any other business that may be confusingly similar to a Barrel House Restaurant.
r. Non-competition covenants after the franchise is terminated or expires	Section 13(D)	No involvement in a Competing Business that is located within a 10 mile radius of the former site of the Restaurant or any other then-existing Barrel House restaurant.
s. Modification of the agreement	Sections 7(E) and 19(D)	No modifications generally, except in writing. We may modify Operations Manual, Marks, System and Products/services to be offered from your Restaurant.
t. Integration/merger clause	Section 19(K)	Only the terms of the Franchise Agreement (including exhibits) are binding (subject to federal and state law). Any other promises may not be enforceable.

Provision	Section in Franchise Agreement or Other Agreement	Summary
u. Dispute resolution by arbitration or mediation	Section 18	Except for actions we bring for monies owed, injunctive or extraordinary relief, or actions involving real estate, all disputes first will be subject to non-binding mediation in Davenport, Iowa, then (if not resolved) to binding arbitration in in Davenport, Iowa (subject to applicable law).
v. Choice of forum	Section 18(F)	Litigation must be in state or federal court in Davenport, Iowa (subject to state law). We also have the right to file suit where the Restaurant is located (subject to applicable law).
w. Choice of law	Section 18(D)	Iowa law applies (subject to state law).

**ITEM 18
PUBLIC FIGURES**

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

**ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS**

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

This Item 19 is divided into two sections. The first section reflects the 2023 Gross Sales results of the one Barrel House™ franchised Restaurant. The second section reflects historic Gross Sales and related information for five Affiliate-owned Restaurants

Section I: Gross Sales Information for Franchised Restaurant for Period Ending December 31, 2023

The following information presents the annual and quarterly Gross Sales data we obtained from the one franchised Restaurant that commenced operations in September 2022 and reflects Gross Sales for the fiscal year ending December 31, 2023.

**Unaudited Quarterly Statements of Franchised Unit Gross Sales
for the Period January 1, 2023 through December 31, 2023**

	January 1, 2023 – March 31, 2023	April 1, 2023– June 30, 2023	July 1, 2023 – September 30, 2023	October 1, 2023– December 31, 2023	Total (January 1, 2023- December 31, 2023)
Bloomington, IL	\$496,153	\$585,932	\$527,645	\$515,515	\$2,125,245

Section II: Gross Sales Information for Affiliate Restaurants for 12 Months Ending December 31, 2023

The following table presents data we obtained from our affiliates, The Barrel House Three, LLC, The Barrel House Dubuque, LLC and The Barrel House, LLC (collectively, the “Affiliates”) respecting the historic Gross Sales and other information for five Affiliate-owned Restaurants that were in operation for the entire twelve-month period beginning January 1, 2023 and ending December 31, 2023.

As of December 31, 2023, the Affiliates owned six affiliate/company-owned Restaurants. We excluded the one remaining Affiliate-owned Restaurant from the table below because it was not open during the entire twelve-month period ending December 31, 2023. The table below presents the quarterly Gross Sales of each of the five remaining Affiliate-owned Restaurants.

Unaudited Quarterly Statements of Company Unit Gross Sales
for the Period January 1, 2023 through December 31, 2023

	January 1, 2023 – March 31, 2023	April 1, 2023– June 30, 2023	July 1, 2023 – September 30, 2023	October 1, 2023– December 31, 2023	Total (January 1, 2023- December 31, 2023)
Downtown Davenport	\$362,633	\$408,019	\$343,856	\$320,032	\$1,434,540
Uptown Davenport	\$454,409	\$430,036	\$330,574	\$333,631	\$1,548,649
Dubuque	\$623,911	\$604,600	\$654,104	\$649,605	\$2,532,220
Marion	\$370,373	\$464,520	\$372,192	\$311,361	\$1,518,447
Cedar Rapids	\$195,283	\$223,968	\$161,184	\$175,934	\$756,368

Notes to Sections I and II:

1. For the Affiliate-owned Restaurants, the Downtown Davenport Restaurant opened in 2011, the Uptown Davenport Restaurant opened in 2015, the Dubuque Restaurant opened in 2016, the Marion Restaurant opened in 2021 and the Cedar Rapids Restaurant opened in 2022. The franchised Restaurant in Bloomington, Illinois also opened in 2022.

2. The Downtown Davenport Restaurant has 2,528 total square feet with kitchen space of 350 square feet, the Uptown Davenport Restaurant has 3,432 total square feet with kitchen space of 500 square feet, the Dubuque Restaurant has 6,056 total square feet with kitchen space of 1,200 square feet, the Marion Restaurant has 4,267 total square feet with kitchen space of 900 square feet and the Cedar Rapids Restaurant has 3,500 total square feet with kitchen space of 500 square feet. The franchisee-owned Restaurant in Bloomington, Illinois has 8,000 total square feet with kitchen space of 2,000 square feet. The average size of a franchised Restaurant, including kitchen area, will likely range from 3,500 square feet to 5,000 square feet. The size of the Restaurant can impact the Gross Sales of the Restaurant.

3. “Gross Sales” means the aggregate amount of all sales of all food and beverages, and other goods and services, whether for cash, on credit or otherwise, made or provided at or in connection with the Restaurant, including off-premises sales and monies derived at or away from the Restaurant. The term “Gross Sales” does not include: (1) any federal, state, municipal or other sales, value added or retailer’s excise taxes paid or accrued by you; and (2) adjustments for net returns on salable goods and discounts allowed to customers on sales; or (3) discounts for meals for Restaurant employees. Gross Sales has not been adjusted for uncollected accounts.

4. Each of the Affiliate Restaurants and the franchised Restaurant have a patio space for additional seating. We encourage franchisees to select a site for the Restaurant that allows for patio seating. Selecting a site for the Restaurant that does not include patio seating likely will impact Gross Sales.

5. The Dubuque Restaurant is located near an arena and has a large bar area that increases the ratio of Gross Sales derived from beverage sales. As a result, beverage sales represent approximately 35% of total Gross Sales at the Dubuque Restaurant while beverage sales at a typical Restaurant will represent approximately 25% of total Gross Sales.

6. In addition to the characteristics described in Footnotes 2, 4 and 5 above, the Affiliate Restaurants have certain characteristics that may differ materially from a new Restaurant offered under this Disclosure Document and likely impact Gross Sales results. Specifically, three of the five Affiliate Restaurants have been in operation for more than six years. In addition, each of the five Affiliate Restaurants are located in Iowa in traditional stand-alone locations or in a shopping area. If you locate your Restaurant in other regions of the U.S. or in a non-traditional location such as a sports stadium, airport or similar location, you may experience Gross Sales different from those experienced by the Affiliate Restaurants.

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

Written substantiation for the financial performance representation is available to the prospective franchisee upon reasonable request. Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Jimmy Holt at 3475 Jersey Ridge Road, Ste. 3, Davenport, Iowa 52807, 563-214-1013, franchise@barrelhousepub.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NUMBER 1
Systemwide Restaurant Summary
For Years 2021 to 2023**

Restaurant Type	Year	Restaurants at the Start of the Year	Restaurants at the End of the Year	Net Change
Franchised	2021	0	0	0
	2022	0	1	+1
	2023	1	1	0
Company-Owned*	2021	3	4	+1
	2022	4	6	+2
	2023	6	6	0
Total Restaurants*	2021	3	4	+1
	2022	4	7	+3
	2023	7	7	0

* - For purposes of Item 20, Barrel House restaurants owned by our affiliates, members or officers are considered company-owned Restaurants.

TABLE NUMBER 2
Transfers of Restaurants from Franchisee to New Owners (Other than the Franchisor)
For Years 2021 to 2023

State	Year	Number of Transfers
TOTAL	2021	0
	2022	0
	2023	0

TABLE NUMBER 3
Status of Franchised Restaurants
For Years 2021 to 2023

State	Year	Restaurants at the Start of the Year	Restaurants Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Restaurants at the End of the Year
Illinois	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
TOTAL	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1

TABLE NUMBER 4
Status of Company-Owned Restaurants
For Years 2021 to 2023

State	Year	Restaurants at the Start of the Year	Restaurants Opened	Restaurants Reacquired From Franchisees	Restaurants Closed	Restaurants Sold to Franchisees	Restaurants at the End of the Year
Iowa	2021	3	1	0	0	0	4
	2022	4	2	0	0	0	6
	2023	6	1	0	1	0	6
TOTAL	2021	3	1	0	0	0	4
	2022	4	2	0	0	0	6
	2023	6	1	0	1	0	6

TABLE NUMBER 5
Projected Openings
As of December 31, 2023

State	Franchise Agreements Signed But Restaurant Not Opened	Projected New Franchised Restaurants through the End of the Current Fiscal Year	Projected New Company-Owned Restaurants through the End of the Current Fiscal Year
Iowa	0	1	0
Texas	1	1	0
Virginia	0	1	0
TOTAL	0	2	1

Attached as Exhibit F is a list of all Barrel House franchisees as of December 31, 2023. We have not had a franchisee who has had a Barrel House franchise terminated, canceled, or not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement nor transferred

a Barrel House franchise. In addition, no franchisee has failed to communicate with us within the 10-week period before the issuance date of the disclosure document. No franchisees have signed a confidentiality agreement within the past three years. If you buy a Barrel House franchise, your contact information may be disclosed to other buyers when you leave the franchise system. We have no trademark specific franchisee association.

ITEM 21 FINANCIAL STATEMENTS

Our audited financial statements for the periods from December 31, 2021, from January 1, 2022 to December 31, 2022 and from January 1, 2023 to December 31, 2023 are attached as Exhibit A. .

ITEM 22 CONTRACTS

The Franchise Agreement (including the Personal Guaranty) is attached as Exhibit B. The State Addenda are attached as Exhibit D. The General Release Form is attached as Exhibit E. The Disclosure Acknowledgment Agreement is attached as Exhibit H.

ITEM 23 RECEIPTS

Two copies of an acknowledgment of your receipt of this disclosure document are included at the end of this disclosure document (Exhibit I). You should keep one copy as your file copy and return the second copy to us.

EXHIBIT A
FINANCIAL STATEMENTS

BARREL HOUSE ENTERPRISES, LLC
(an Iowa Limited Liability Company)

Financial Statements
for the Years Ended
December 31, 2023 and 2022

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PRINCIPALS

Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT

To the Member
Barrel House Enterprises, LLC
Davenport, Iowa

OPINION

We have audited the accompanying financial statements of Barrel House Enterprises, LLC (an Iowa limited liability company) (the Company), which comprise the balance sheets as of December 31, 2023 and 2022 and the related statements of income and member's 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 the Company as of December 31, 2023 and 2022, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

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

(continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Exercise professional 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 the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

EMPHASIS OF MATTER – GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 6 to the financial statements, the Company is heavily dependent on its sole member to fund operations, as revenue is currently insufficient to support operations. These conditions have resulted in losses from operations and a net capital deficiency. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 6. The financial statements do not include any adjustments that might result if the Company ceased to continue as a going concern. Our opinion is not modified with respect to that matter.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
April 29, 2024

FINANCIAL STATEMENTS

BARREL HOUSE ENTERPRISES, LLC

Balance Sheets

	December 31,	
	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 2,774	\$ 6,126
Accounts receivable	5,785	6,244
Due from related parties	58,459	22,208
Contract assets – current	<u>3,434</u>	<u>434</u>
Total current assets	70,452	35,012
Property and equipment		
Transportation equipment	5,419	5,419
Less accumulated depreciation	<u>1,716</u>	<u>632</u>
Net property and equipment	3,703	4,787
Other assets		
Contract assets – long-term	<u>29,341</u>	<u>3,400</u>
Total assets	<u>\$ 103,496</u>	<u>\$ 43,199</u>
Liabilities and Member's Deficit		
Current liabilities		
Accounts payable	\$ 10,658	\$ 15,388
Accrued wages and benefits	5,052	–
Contract liabilities – current	8,000	4,000
Due to related parties	<u>608,912</u>	<u>481,069</u>
Total current liabilities	632,622	500,457
Long-term liabilities		
Contract liabilities – long-term	62,500	31,333
Member's deficit		
	<u>(591,626)</u>	<u>(488,591)</u>
Total liabilities and member's deficit	<u>\$ 103,496</u>	<u>\$ 43,199</u>

BARREL HOUSE ENTERPRISES, LLC

Statements of Income and Member's Deficit

	Year Ended December 31,	
	2023	2022
Revenue		
Franchise fee revenue	\$ 4,833	\$ 4,000
Royalty fees	84,659	24,813
Marketing fees	21,165	6,203
Product and service revenue	11,135	294,790
Total revenue	<u>121,792</u>	<u>329,806</u>
Cost of goods sold	<u>10,011</u>	<u>248,720</u>
Gross profit	111,781	81,086
Operating expenses		
Salaries, payroll taxes, and benefits	145,552	156,838
Advertising and marketing expense	2,784	32,510
Professional fees	30,570	38,768
Travel expense	3,352	6,033
Commission expense	1,059	434
Facilities expense	11,271	11,022
Software expense	8,837	7,772
Other operating expense	10,307	9,353
Depreciation expense	1,084	632
Total operating expenses	<u>214,816</u>	<u>263,362</u>
Net loss	(103,035)	(182,276)
Member's deficit		
Beginning of year	<u>(488,591)</u>	<u>(306,315)</u>
End of year	<u>\$ (591,626)</u>	<u>\$ (488,591)</u>

BARREL HOUSE ENTERPRISES, LLC

Statements of Cash Flows

	<u>Year Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Net loss	\$ (103,035)	\$ (182,276)
Adjustments to reconcile net loss to net cash used by operating activities		
Franchise fee amortization	(4,833)	(4,000)
Commission expense amortization	1,059	434
Depreciation expense	1,084	632
(Increase) decrease in current assets		
Accounts receivable	459	(6,244)
Due from related parties	(36,251)	(19,563)
Contract assets	(30,000)	-
Prepaid expenses	-	10,885
Increase (decrease) in current liabilities		
Accounts payable	(4,730)	2,460
Accrued wages and benefits	5,052	-
Contract liabilities	40,000	-
Due to related parties	127,843	137,836
Net cash used by operating activities	<u>(3,352)</u>	<u>(59,836)</u>
Cash flows from investing activities		
Payment for purchase of property and equipment	<u>-</u>	<u>(5,419)</u>
Net decrease in cash and cash equivalents	(3,352)	(65,255)
Cash and cash equivalents		
Beginning of year	<u>6,126</u>	<u>71,381</u>
End of year	<u>\$ 2,774</u>	<u>\$ 6,126</u>

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements
December 31, 2023 and 2022

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Barrel House Enterprises, LLC (an Iowa limited liability company) (the Company) is organized as a limited liability company for the purpose of offering and selling franchises to operate dine-in and carryout restaurants under the trademark “Barrel House.”

An individual is the sole member of the Company.

SIGNIFICANT ACCOUNTING POLICIES

A. Revenue Recognition

The Company follows the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, “Revenue from Contracts with Customers,” as amended, which herein is referred to as “Accounting Standards Codification (ASC) 606.” ASC 606 outlines a single comprehensive five-step model for entities to use in accounting for revenues arising from contracts with customers that requires reporting entities to:

1. Identify the contract,
2. Identify the performance obligations of the contract,
3. Determine the transaction price of the contract,
4. Allocate the transaction price to the performance obligations, and
5. Recognize revenue.

Franchise revenues consist primarily of royalties, marketing fund contributions to the System Marketing Fund (SMF), and initial, renewal, and transfer franchise fees. Additionally, the Company in certain circumstances will provide for the fulfillment of products to franchisees (décor, kitchen, and other furniture, fixtures and equipment), and consulting and other services.

The Company’s performance obligations under franchise agreements consist of: (1) a franchise license, including a license to use the Company’s brand and SMF management, (2) preopening services, such as site selection, construction and building specification requirements, training, and inspections, and (3) ongoing services, such as development of certain training materials, financial and budgeting support, and store monitoring and inspections. These performance obligations are highly interrelated, so the Company does not consider them to be individually distinct. The Company accounts for them under ASC 606 as a single performance obligation, which is satisfied over time by providing a right to use the Company’s intellectual property over the term of each franchise agreement.

Royalties, including franchisee SMF contributions, are calculated as either a percentage of franchise store sales or as a fixed amount as determined by the contract. SMF contributions paid by franchisees are used for the creation and development of brand advertising, marketing and public relations, merchandising research and related programs, activities, and materials. The initial franchisee fee and transfer fees are payable upon execution of the franchise agreement or assignment agreement, and the renewal fee is due and payable at the expiration of the initial term of the franchise agreement. The Company’s franchise agreement royalties, including marketing fund contributions, represent sales-based royalties that are related entirely to the Company’s performance obligation under the franchise agreement and are recognized as franchise sales occur.

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements (continued)
December 31, 2023 and 2022

**NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Revenue Recognition (continued)

Initial, renewal, and transfer franchise fees are recognized as revenue over the term of the respective agreement unless the franchise agreement is terminated early, in which case the remaining initial or renewal franchise fee is fully recognized in the period of termination.

Product-related revenue generated from franchisees for sales related to décor, kitchen, and other furniture, fixtures and equipment is recognized as revenue when, or as, performance obligations under the terms of a contract with its customer are satisfied, which occurs with the transfer of control of product. Control is typically transferred to the customer at the time a product is drop-shipped directly from the supplier. Services provided to customers are generally recognized as revenue as the services are provided or related costs are incurred. Revenue is recognized based on the transaction price, which is measured as the amount of consideration the Company expects to receive in exchange for transferring product or rendering services pursuant to the terms of the contract with a customer. The amount of consideration the Company receives, and the revenue the Company recognizes, may vary with changes in sales promotions and incentives offered to customers, as well as anticipated product returns. A provision is made at the time revenue is recognized as a reduction of the transaction price for variable consideration, consisting primarily of expected product returns and other items.

B. Statements of Cash Flows

For purposes of the Statements of Cash Flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

C. Accounts Receivable

The Company utilizes the reserve method of accounting for doubtful accounts. At December 31, 2023 and 2022, all accounts receivable balances were considered fully collectible; therefore, no allowance for doubtful accounts has been provided for within this report.

D. Contract Assets and Liabilities

Contract assets consist of commission expenses, which are incremental costs of obtaining a contract that the Company would not have incurred if the contract had not been retained. Generally, the Company anticipates recovering these costs through the execution of the franchise agreement. Incremental costs to obtain the contract are capitalized and recognized over the period of the contract, which reflects the transfer of goods or services to the customer.

Contract liabilities consist of deferred revenue, resulting from initial franchise fees paid by franchisees. Deferred revenue is generally recognized on a straight-line basis over the term of the underlying agreement.

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements (continued)
December 31, 2023 and 2022

**NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Property and Equipment

Property and equipment are capitalized at cost. Depreciation of property and equipment is charged to operations at rates calculated to amortize the cost of the property and equipment ratably over their estimated useful lives using the straight-line methods.

The estimated useful life of property and equipment is five years for transportation equipment.

F. Income Taxes

The Company, with the consent of its member, has elected under the Internal Revenue Code, to be a limited liability company (LLC) that is treated as an S Corporation. In lieu of company income taxes, the member of an LLC that is treated as an S Corporation is taxed on their proportionate share of the Company's taxable income.

The Company follows the recognition requirements for uncertain income tax positions as required by FASB 740-10. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Company has analyzed tax positions taken for filing with the Internal Revenue Service and the state jurisdiction where it operates. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Company's financial condition, results of operations, or cash flows. Accordingly, the Company has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at December 31, 2023.

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

G. Franchise Fee Revenue

The Company records franchise fee receivables upon the signing/execution of franchise agreements. Franchise fee revenue is recognized over the life of the contract.

Franchise fees collected from franchisees, but not yet recognized as income, are recorded as contract liabilities on the Balance Sheets.

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements (continued)
December 31, 2023 and 2022

**NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Franchise Fee Revenue (continued)

Franchise fees total \$40,000 per store, and have a 10-year term.

	<u>Number of Franchised Outlets</u>	
	<u>Year Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Total franchised outlets at beginning of year	1	1
Franchised outlets sold during year	1	–
Franchised outlets closed during year	–	–
	<u> </u>	<u> </u>
Total franchised outlets at end of year	<u>2</u>	<u>1</u>
	<u> </u>	<u> </u>
Franchised outlets unopened at end of year	<u>1</u>	–
	<u> </u>	<u> </u>
Franchised outlets in operation at end of year	<u>1</u>	<u>1</u>
	<u> </u>	<u> </u>
Related party franchised outlets in operation at end of year	<u>–</u>	<u>–</u>

H. Royalty Fee Revenue, System Marketing Fund Revenue (SMF), and Technology Fee

The Company generally records royalty fee and SMF revenue based on a percentage of gross weekly sales of franchisees. Royalty rates are currently 5 percent and SMF rates are currently 1 percent. Royalty fee and SMF revenue are recognized when gross sales occur at franchise stores. The Company charges franchisees a monthly technology access fee, currently totaling \$100, which may be adjusted once per year. Technology fee revenue is recognized monthly as amounts become due.

I. Advertising

The Company follows the practice of expensing advertising costs, as they are incurred. For the years ended December 31, 2023 and 2022, advertising expenses totaled \$2,784 and \$32,510, respectively.

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements (continued)
December 31, 2023 and 2022

**NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. 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 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.

K. Leases

Effective January 1, 2022, the Company transitioned to accounting for leases in accordance with the FASB ASC 842. Leases are evaluated using the criteria outlined in the FASB ASC 842 to determine whether they will be classified as operating leases or finance leases.

The Company determines if an arrangement is a lease, or contains a lease, at inception of a contract and when terms of an existing contract are changed. The Company determines if an arrangement conveys the right to use an identified asset and whether the Company obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. The Company recognizes a lease liability and a right-of-use (ROU) asset at the commencement date of the lease.

Beginning January 1, 2022, if any leases were to meet certain criteria, operating or financing lease ROU assets and the related current and long-term portions of operating or financing lease liabilities would be presented in the Balance Sheets. Due to the Company's minimal leasing activity as a lessee, no ROU assets or lease liabilities have been recognized.

L. Subsequent Events

Subsequent events have been evaluated by management through April 29, 2024, which is the date the financial statements were available to be issued.

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements (continued)
December 31, 2023 and 2022

NOTE 2 – CONTRACT ASSETS AND LIABILITIES

The Company had contract assets consisting of the following:

	December 31,	
	2023	2022
Contract assets		
Commission fees	\$ 32,775	\$ 3,834
Less current portion	<u>3,434</u>	<u>434</u>
Net long-term contract assets	<u>\$ 29,341</u>	<u>\$ 3,400</u>

The following table reflects the change in contract assets for the years ended December 31, 2023 and 2022:

	Year Ended December 31,	
	2023	2022
Balance at beginning of year	\$ 3,834	\$ 4,268
Commissions paid	30,000	–
Expense recognized	<u>(1,059)</u>	<u>(434)</u>
Balance at end of year	<u>\$ 32,775</u>	<u>\$ 3,834</u>

The Company had contract liabilities consisting of the following:

	December 31,	
	2023	2022
Contract liabilities		
Deferred franchise fee revenue	\$ 70,500	\$ 35,333
Less current portion	<u>8,000</u>	<u>4,000</u>
Total	<u>\$ 62,500</u>	<u>\$ 31,333</u>

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements (continued)
December 31, 2023 and 2022

NOTE 2 – CONTRACT ASSETS AND LIABILITIES (CONTINUED)

The following table reflects the change in contract liabilities for the years ended December 31, 2023 and 2022:

	<u>Year Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Balance at beginning of year/period	\$ 35,333	\$ 39,333
Franchise fees received	40,000	–
Revenue recognized	<u>(4,833)</u>	<u>(4,000)</u>
Balance at end of year	<u>\$ 70,500</u>	<u>\$ 35,333</u>

The following table reflects the estimated commission expense and franchise fee revenues expected to be recognized in the future, related to the Company’s capitalized commission expense and deferred franchise fees that are unsatisfied (or partially unsatisfied) as of December 31, 2023:

<u>Year Ending December 31,</u>	<u>Commission Expense Amortization</u>	<u>Franchise Fee Revenue Amortization</u>
2024	\$ 3,434	\$ 8,000
2025	3,434	8,000
2026	3,434	8,000
2027	3,434	8,000
2028	3,434	8,000
Thereafter	<u>15,605</u>	<u>30,500</u>
	<u>\$ 32,775</u>	<u>\$ 70,500</u>

NOTE 3 – RELATED PARTY TRANSACTIONS

A. Allocated Expenses From Affiliates

The sole member and certain employees of Barrel House, LLC (Barrel House), an affiliate related through common ownership, provide management services to the Company. For the years ended December 31, 2023 and 2022, salaries, payroll taxes, and benefits allocated totaled \$88,147 and \$85,292, respectively.

B. Allocated Expenses To Affiliates

A certain employee of the Company provides services for other affiliates related through common ownership. For the years ended December 31, 2023 and 2022, salaries, payroll taxes, and benefits allocated totaled \$91,417 and \$42,500, respectively.

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements (continued)
December 31, 2023 and 2022

NOTE 3 – RELATED PARTY TRANSACTIONS (CONTINUED)

C. Operating Lease

The Company currently leases office space from Four C Enterprises, LLC, a company related through common ownership. On January 1, 2021, the Company entered into a month-to-month lease agreement with a required payment of \$500 per month. For the years ended December 31, 2023 and 2022, rent expense totaling \$6,000 for each year, is included within facilities expense on the Statements of Income and Member’s Deficit.

D. Shared Licensing Agreement

The trademark “Barrel House” and other related intellectual property affiliated with the brand is owned by Barrel House. The Company currently has a shared licensing agreement, which allows unrestricted use of all trademarks and other related intellectual property affiliated with the brand for an indefinite time period.

E. Due From Related Parties

As of December 31, 2023 and 2022, expenses incurred by the Company on behalf of affiliates, for which they have yet to be reimbursed, are reflected in the following table:

	December 31,	
	2023	2022
BH Holdings, LLC	\$ 5,986	\$ 5,986
BH Coralville, LLC	5,792	28
BH DT CR, LLC	20,443	4,387
BH DSM, LLC	8,371	2,995
BH Mariion, LLC	17,867	8,812
Total	<u>\$ 58,459</u>	<u>\$ 22,208</u>

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements (continued)
December 31, 2023 and 2022

NOTE 3 – RELATED PARTY TRANSACTIONS (CONTINUED)

F. Due To Related Parties

As of December 31, 2023 and 2022, expenses incurred by affiliates on the Company’s behalf, for which they have yet to be reimbursed, are reflected in the following table:

	December 31,	
	2023	2022
BH Dubuque, LLC	\$ 48,675	\$ 46,740
BH Davenport, LLC	43	10,075
Four C, LLC	330,308	259,783
All Around Town OS, LLC	391	391
BH Utica, LLC	229,495	164,080
Total	<u>\$ 608,912</u>	<u>\$ 481,069</u>

NOTE 4 – SYSTEM MARKETING FUND (SMF)

The Company oversees and administers the SMF, which serves as a marketing association for all restaurants. The SMF develops, initiates, and executes marketing programs, including, but not limited to, the development of marketing tools for the mutual benefit of the franchisees making deposits into the SMF. The SMF is not a separate legal entity and is included in the Company’s Balance Sheets. The SMF is managed by the Company.

On a weekly basis, the Company collects marketing fees from the franchisees based on their respective franchise agreements. The Company has the option to increase the annual fee to a multiple of the original rate stated in the franchise agreement with a 60-day notice. (As of the date of these financial statements, the Company has not elected to increase fees.) Disbursements from the SMF are to be used to pay expenses incurred in connection with general marketing and promotion of licensed franchisees.

Marketing fee deposits to the SMF are recorded as income by the Company, and disbursements from the SMF for marketing and promotion expenses are recorded as expenses, unless marketing fee deposits exceed the expenses incurred, in which case the Company records a contract liability for excess deposits.

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements (continued)
December 31, 2023 and 2022

NOTE 5 – COMMITMENTS

At December 31, 2021, the Company had placed deposits totaling \$2,000, which were included in prepaid expenses, for the commitment to lease two point-of-sale systems for the implementation in future franchise sales. The lease agreements required minimum monthly rent payments of \$544, plus additional amounts for hardware and processing costs. The leases are for a period of two years, beginning on the date on which the restaurant opens. During 2022, the deposits and corresponding right-of-use were transferred to a franchisee upon the opening of their location, and the deposits were expensed within cost of goods sold.

NOTE 6 – GOING CONCERN

The accompanying financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business. However, the Company has accumulated a member's deficit as a result of the Company being in its development stage. The financial statements do not include any adjustments that might result if the Company ceased to continue as a going concern.

As shown in the accompanying financial statements, the Company has a cumulative member's deficit of \$591,626 as of December 31, 2023. For the years ended December 31, 2023 and 2022, the Company has generated revenue of \$121,792 and \$329,806, respectively. Future revenue generation is dependent upon the Company's ability to sell licenses and franchises to operate dine-in and carryout restaurants. While management has taken aggressive measures to market the Company, there is no assurance that adequate license and franchise agreements will be secured in the near term to sustain operations. In the event that adequate license and franchise agreements cannot be secured or renewed in the near term, the sole member will use available financial resources to support operations and fund obligations.

BARREL HOUSE ENTERPRISES, LLC
(an Iowa Limited Liability Company)

Financial Statements
For the Years Ended
December 31, 2022 and 2021

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PRINCIPALS

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Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT

To the Member
Barrel House Enterprises, LLC
Davenport, Iowa

OPINION

We have audited the accompanying financial statements of Barrel House Enterprises, LLC (an Iowa limited liability company) (the Company), which comprise the balance sheets as of December 31, 2022 and 2021 and the related statements of income and member's 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 the Company 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

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

(continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Exercise professional 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 the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

EMPHASIS OF MATTER – GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 6 to the financial statements, the Company is heavily dependent on its sole member to fund operations, as revenue is currently insufficient to support operations. These conditions have resulted in losses from operations and a net capital deficiency. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 6. The financial statements do not include any adjustments that might result if the Company ceased to continue as a going concern. Our opinion is not modified with respect to that matter.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
April 27, 2023

FINANCIAL STATEMENTS

BARREL HOUSE ENTERPRISES, LLC

Balance Sheets

	December 31,	
	2022	2021
Assets		
Current assets		
Cash and cash equivalents	\$ 6,126	\$ 71,381
Accounts receivable	6,244	–
Due from related party	22,208	2,645
Contract assets – current	434	434
Prepaid expenses	–	10,885
Total current assets	<u>35,012</u>	<u>85,345</u>
Property and equipment		
Transportation equipment	5,419	–
Less accumulated depreciation	632	–
Net property and equipment	<u>4,787</u>	<u>–</u>
Other assets		
Contract assets – long-term	<u>3,400</u>	<u>3,834</u>
Total assets	<u>\$ 43,199</u>	<u>\$ 89,179</u>
Liabilities and Member’s Deficit		
Current liabilities		
Accounts payable	\$ 15,388	\$ 12,928
Contract liabilities – current	4,000	4,000
Due to related parties	481,069	343,233
Total current liabilities	<u>500,457</u>	<u>360,161</u>
Long-term liabilities		
Contract liabilities – long-term	31,333	35,333
Member’s deficit	<u>(488,591)</u>	<u>(306,315)</u>
Total liabilities and member’s deficit	<u>\$ 43,199</u>	<u>\$ 89,179</u>

BARREL HOUSE ENTERPRISES, LLC

Statements of Income and Member's Deficit

	<u>Year Ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Revenue		
Franchise fee revenue	\$ 4,000	\$ 667
Royalty fees	24,813	-
Marketing fees	6,203	-
Product and service revenue	294,790	-
Total revenue	<u>329,806</u>	<u>667</u>
Cost of goods sold	<u>248,720</u>	<u>-</u>
Gross profit	81,086	667
Operating expenses		
Salaries, payroll taxes, and benefits	156,838	113,979
Advertising and marketing expense	32,510	66,713
Professional fees	38,768	47,816
Travel expense	6,033	12,278
Commission expense	434	72
Facilities expense	11,022	8,755
Software expense	7,772	1,444
Other operating expense	9,353	9,999
Depreciation expense	632	-
Total operating expenses	<u>263,362</u>	<u>261,056</u>
Net loss	(182,276)	(260,389)
Member's deficit		
Beginning of year	(306,315)	(140,926)
Member contributions	<u>-</u>	<u>95,000</u>
End of year	<u>\$ (488,591)</u>	<u>\$ (306,315)</u>

BARREL HOUSE ENTERPRISES, LLC

Statements of Cash Flows

	Year Ended December 31,	
	2022	2021
Cash flows from operating activities		
Net loss	\$ (182,276)	\$ (260,389)
Adjustments to reconcile net loss to net cash used by operating activities		
Franchise fee amortization	(4,000)	(667)
Commission expense amortization	434	72
Depreciation expense	632	-
(Increase) decrease in current assets		
Accounts receivable	(6,244)	-
Due from related party	(19,563)	(2,645)
Contract assets	-	(4,340)
Prepaid expenses	10,885	(3,885)
Increase in current liabilities		
Accounts payable	2,460	12,928
Contract liabilities	-	40,000
Due to related party	137,836	190,307
Net cash used by operating activities	<u>(59,836)</u>	<u>(28,619)</u>
Cash flows from investing activities		
Payment for purchase of property and equipment	(5,419)	-
Cash flows from financing activities		
Member contributions	<u>-</u>	<u>100,000</u>
Net increase (decrease) in cash and cash equivalents	(65,255)	71,381
Cash and cash equivalents		
Beginning of year	<u>71,381</u>	<u>-</u>
End of year	<u>\$ 6,126</u>	<u>\$ 71,381</u>

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements
December 31, 2022 and 2021

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Barrel House Enterprises, LLC (an Iowa limited liability company) (the Company) is organized as a limited liability company for the purpose of offering and selling franchises to operate dine-in and carry-out restaurants under the trademark “Barrel House.”

An individual is the sole member of the Company.

SIGNIFICANT ACCOUNTING POLICIES

A. Revenue Recognition

The Company follows the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, “Revenue from Contracts with Customers,” as amended, which herein is referred to as “Accounting Standards Codification (ASC) 606.” ASC 606 outlines a single comprehensive five-step model for entities to use in accounting for revenues arising from contracts with customers that requires reporting entities to:

1. Identify the contract,
2. Identify the performance obligations of the contract,
3. Determine the transaction price of the contract,
4. Allocate the transaction price to the performance obligations, and
5. Recognize revenue.

Franchise revenues consist primarily of royalties, marketing fund contributions to the System Marketing Fund (SMF), and initial, renewal, and transfer franchise fees. Additionally, the Company in certain circumstances will provide for the fulfillment of products to franchisees (décor, kitchen, and other furniture, fixtures and equipment), and consulting and other services.

The Company’s performance obligations under franchise agreements consist of: (1) a franchise license, including a license to use the Company’s brand and SMF management, (2) preopening services, such as site selection, construction and building specification requirements, training, and inspections, and (3) ongoing services, such as development of certain training materials, financial and budgeting support, and store monitoring and inspections. These performance obligations are highly interrelated, so the Company does not consider them to be individually distinct. The Company accounts for them under ASC 606 as a single performance obligation, which is satisfied over time by providing a right to use the Company’s intellectual property over the term of each franchise agreement.

Royalties, including franchisee SMF contributions, are calculated as either a percentage of franchise store sales or as a fixed amount as determined by the contract. SMF contributions paid by franchisees are used for the creation and development of brand advertising, marketing and public relations, merchandising research and related programs, activities, and materials. The initial franchisee fee and transfer fees are payable upon execution of the franchise agreement or assignment agreement, and the renewal fee is due and payable at the expiration of the initial term of the franchise agreement. The Company’s franchise agreement royalties, including marketing fund contributions, represent sales-based royalties that are

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements (continued)
December 31, 2022 and 2021

**NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Revenue Recognition (continued)

related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchise sales occur.

Initial, renewal, and transfer franchise fees are recognized as revenue over the term of the respective agreement unless the franchise agreement is terminated early, in which case the remaining initial or renewal franchise fee is fully recognized in the period of termination.

Product related revenue generated from franchisees for sales related to décor, kitchen, and other furniture, fixtures and equipment is recognized as revenue when, or as, performance obligations under the terms of a contract with its customer are satisfied, which occurs with the transfer of control of product. Control is typically transferred to the customer at the time a product is drop-shipped directly from the supplier. Services provided to customers are generally recognized as revenue as the services provided or related costs are incurred. Revenue is recognized based on the transaction price, which is measured as the amount of consideration the Company expects to receive in exchange for transferring product or rendering services pursuant to the terms of the contract with a customer. The amount of consideration the Company receives and the revenue the Company recognizes may vary with changes in sales promotions and incentives offered to customers, as well as anticipated product returns. A provision is made at the time revenue is recognized as a reduction of the transaction price for variable consideration, consisting primarily of expected product returns and other items.

B. Statements of Cash Flows

For purposes of the Statements of Cash Flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

C. Accounts Receivable

The Company utilizes the reserve method of accounting for doubtful accounts. At December 31, 2022 and 2021, all accounts receivable balances were considered fully collectible; therefore, no allowance for doubtful accounts has been provided for within this report.

D. Contract Assets and Liabilities

Contract assets consist of commission expenses, which are incremental costs of obtaining a contract that the Company would not have incurred if the contract had not been retained. Generally, the Company anticipates recovering these costs through the execution of the franchise agreement. Incremental costs to obtain the contract are capitalized and recognized over the period of the contract, which reflects the transfer of goods or services to the customer.

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements (continued)
December 31, 2022 and 2021

**NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Contract Assets and Liabilities (continued)

Contract liabilities consist of deferred revenue resulting from initial franchise fees paid by franchisees. Deferred revenue is generally recognized on a straight-line basis over the term of the underlying agreement.

E. Property and Equipment

Property and equipment are capitalized at cost. Depreciation of property and equipment is charged to operations at rates calculated to amortize the cost of the property and equipment ratably over their estimated useful lives using the straight-line methods.

The estimated useful life of property and equipment is five years for transportation equipment.

F. Income Taxes

The Company, with the consent of its member, has elected under the Internal Revenue Code, to be a limited liability company (LLC) that is treated as an S-Corporation. In lieu of company income taxes, the member of an LLC that is treated as an S-Corporation is taxed on their proportionate share of the Company's taxable income.

The Company follows the recognition requirements for uncertain income tax positions as required by FASB 740-10. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Company has analyzed tax positions taken for filing with the Internal Revenue Service and the state jurisdiction where it operates. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Company's financial condition, results of operations, or cash flows. Accordingly, the Company has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at December 31, 2022.

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

G. Franchise Fee Revenue

The Company records franchise fee receivables upon the signing/execution of franchise agreements. Franchise fee revenue is recognized over the life of the contract.

Franchise fees collected from franchisees, but not yet recognized as income, are recorded as contract liabilities on the Balance Sheets.

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements (continued)
December 31, 2022 and 2021

**NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Franchise Fee Revenue (continued)

Franchise fees total \$40,000 per store and have a 10-year term.

	<u>Number of Franchised Outlets</u>	
	<u>Year Ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Total franchised outlets at beginning of year/period	1	–
Franchised outlets sold during year	–	1
Franchised outlets closed during year	–	–
	<u>1</u>	<u>1</u>
Total franchised outlets at end of year	<u>1</u>	<u>1</u>
Franchised outlets unopened at end of year	<u>–</u>	<u>1</u>
Franchised outlets in operation at end of year	<u>1</u>	<u>–</u>
Related party franchised outlets in operation at end of year	<u>–</u>	<u>–</u>

H. Royalty Fee Revenue, System Marketing Fund Revenue (SMF), and Technology Fee

The Company generally records royalty fee and SMF revenue based on a percentage of gross weekly sales of franchisees. Royalty rates are currently 5 percent and SMF rates are currently 1 percent. Royalty fee and SMF revenue are recognized when gross sales occur at franchise stores. The Company charges franchisees a monthly technology access fee, currently totaling \$100, which may be adjusted once per year. Technology fee revenue is recognized monthly as amounts become due.

I. Advertising

The Company follows the practice of expensing advertising costs, as they are incurred. For years ended December 31, 2022 and 2021, advertising expenses totaled \$32,510 and \$66,713, respectively.

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements (continued)
December 31, 2022 and 2021

**NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. 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 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.

K. Leases

Effective January 1, 2022, the Company transitioned to accounting for leases in accordance with FASB ASC 842. As part of the transition, the Company implemented new internal controls and key system functionality to enable the preparation of financial information on adoption and elected to apply the following practical expedients:

Package of practical expedients:

- Election not to reassess whether any expired or existing contracts are or contain leases.
- Election not to reassess the lease classification for any expired or existing leases.
- Election not to reassess initial direct costs on any existing leases.

Other practical expedients:

- Election whereby the lease and non-lease components will not be separated for leases of warehouse space and equipment.
- Election not to record right-of-use (ROU) assets and corresponding lease liabilities for short-term leases with a lease term of 12 months or less, but greater than 1 month. Leases of 1 month or less are not included in short-term lease costs.

Leases are evaluated using the criteria outlined in FASB ASC 842 to determine whether they will be classified as operating leases or finance leases. The Company determines if an arrangement is a lease, or contains a lease, at inception of a contract and when terms of an existing contract are changed. The Company determines if an arrangement conveys the right to use an identified asset and whether the Company obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. The Company recognizes a lease liability and ROU asset at the commencement date of the lease.

Beginning January 1, 2022, if any leases were to meet certain criteria, operating or financing lease ROU assets and the related current and long-term portions of operating or financing lease liabilities would be presented in the Balance Sheets. Due to the Company's minimal leasing activity, no ROU assets or lease liabilities have been recognized.

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements (continued)
December 31, 2022 and 2021

**NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Recently Adopted Accounting Pronouncement

Lease Accounting

In February 2016, the FASB issued Accounting Standards ASU No. 2016-02, *Leases (Topic 842)*. FASB ASC 842 supersedes the lease requirements in FASB ASC 840. Under FASB ASC 842, lessees are required to recognize assets and liabilities on the balance sheets for most leases and provide enhanced disclosures. The Company adopted FASB ASC 842, with a date of initial application of January 1, 2022, by applying the optional alternative transition method provided by ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*. The Company did not restate prior comparative periods as presented under FASB ASC 840 and, instead, evaluated whether a cumulative effect adjustment to members' deficit as of January 1, 2022, was necessary for the cumulative impact of adoption of FASB ASC 842.

After adoption, it was determined due to the Company's minimal leasing activity that no cumulative effect adjustment to members' deficit as of January 1, 2022, was necessary. FASB ASC 842 did not have a significant effect on operations or cash flows for the year ended December 31, 2022.

M. Subsequent Events

Subsequent events have been evaluated by management through April 27, 2023, which is the date the financial statements were available to be issued.

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements (continued)
December 31, 2022 and 2021

NOTE 2 – CONTRACT ASSETS AND LIABILITIES

The Company had contract assets consisting of the following:

	December 31,	
	2022	2021
Contract assets		
Commission fees	\$ 3,834	\$ 4,268
Less current portion	434	434
	<u>3,400</u>	<u>3,834</u>
Net long-term contract assets	<u>\$ 3,400</u>	<u>\$ 3,834</u>

The following table reflects the change in contract assets for the years ended December 31, 2022 and 2021:

	Year Ended December 31,	
	2022	2021
Balance at beginning of year/period	\$ 4,268	\$ –
Commissions paid	–	4,340
Expense recognized	(434)	(72)
	<u>3,834</u>	<u>4,268</u>
Balance at end of year	<u>\$ 3,834</u>	<u>\$ 4,268</u>

The Company had contract liabilities consisting of the following:

	December 31,	
	2022	2021
Contract liabilities		
Deferred franchise fee revenue	\$ 35,333	\$ 39,333
Less current portion	4,000	4,000
	<u>31,333</u>	<u>35,333</u>
Total	<u>\$ 31,333</u>	<u>\$ 35,333</u>

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements (continued)
December 31, 2022 and 2021

NOTE 2 – CONTRACT ASSETS AND LIABILITIES (CONTINUED)

The following table reflects the change in contract liabilities for the years ended December 31, 2022 and 2021:

	Year Ended December 31,	
	2022	2021
Balance at beginning of year/period	\$ 39,333	\$ –
Franchise fees received	–	40,000
Revenue recognized	<u>(4,000)</u>	<u>(667)</u>
Balance at end of year	<u>\$ 35,333</u>	<u>\$ 39,333</u>

The following table reflects the estimated commission expense and franchise fee revenues expected to be recognized in the future, related to the Company's capitalized commission expense and deferred franchise fees that are unsatisfied (or partially unsatisfied) as of December 31, 2022:

Year Ending December 31,	Commission Expense Amortization	Franchise Fee Revenue Amortization
2023	\$ 434	\$ 4,000
2024	434	4,000
2025	434	4,000
2026	434	4,000
2027	434	4,000
Thereafter	<u>1,664</u>	<u>15,333</u>
	<u>\$ 3,834</u>	<u>\$ 35,333</u>

NOTE 3 – RELATED PARTY TRANSACTIONS

A. Allocated Expenses From Affiliates

The sole member and certain employees of Barrel House, LLC (Barrel House), an affiliate related through common ownership, provide management services to the Company. For years ended December 31, 2022 and 2021, salaries, payroll taxes, and benefits allocated totaled \$85,292 and \$113,979, respectively.

B. Allocated Expenses To Affiliates

A certain employee of the Company provides services for other affiliates related through common ownership. For years ended December 31, 2022 and 2021, salaries, payroll taxes, and benefits allocated totaled \$42,500 and \$0, respectively.

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements (continued)
December 31, 2022 and 2021

NOTE 3 – RELATED PARTY TRANSACTIONS (CONTINUED)

C. Operating Lease

The Company currently leases office space from Four C Enterprises, LLC, a company related through common ownership. On January 1, 2021, the Company entered into a month-to-month lease agreement with a required payment of \$500 per month. For years ended December 31, 2022 and 2021, rent expense totaling \$6,000 for each year, is included within facilities expense on the Statements of Income and Member’s Deficit.

D. Shared Licensing Agreement

The trademark “Barrel House” and other related intellectual property affiliated with the brand is owned by Barrel House. The Company currently has a shared licensing agreement, which allows unrestricted use of all trademarks and other related intellectual property affiliated with the brand for an indefinite time period.

E. Due From Related Party

As of December 31, 2022 and 2021, expenses incurred by the Company on behalf of affiliates, for which they have yet to be reimbursed are reflected in the following table:

	December 31,	
	2022	2021
BH Holdings, LLC	\$ 5,986	\$ 2,645
BH Coralville, LLC	28	–
BH DT CR, LLC	4,387	–
BH DSM, LLC	2,995	–
BH Mariion, LLC	8,812	–
Total	<u>\$ 22,208</u>	<u>\$ 2,645</u>

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements (continued)
December 31, 2022 and 2021

NOTE 3 – RELATED PARTY TRANSACTIONS (CONTINUED)

F. Due To Related Parties

As of December 31, 2022 and 2021, expenses incurred by affiliates on the Company’s behalf, for which they have yet to be reimbursed are reflected in the following table:

	December 31,	
	2022	2021
BH Dubuque, LLC	\$ 46,740	\$ 44,010
BH Three, LLC	–	97,892
BH Davenport, LLC	10,075	18,887
Four C, LLC	259,783	182,444
All Around Town OS, LLC	391	–
BH Utica, LLC	164,080	–
Total	<u>\$ 481,069</u>	<u>\$ 343,233</u>

NOTE 4 – SYSTEM MARKETING FUND (SMF)

The Company oversees and administers the SMF, which serves as a marketing association for all restaurants. The SMF develops, initiates, and executes marketing programs, including, but not limited to, the development of marketing tools for the mutual benefit of the franchisees making deposits into the SMF. The SMF is not a separate legal entity and is included in the Company’s Balance Sheets. The SMF is managed by the Company.

On a weekly basis, the Company collects marketing fees from the franchisees based on their respective franchise agreements. The Company has the option to increase the annual fee to a multiple of the original rate stated in the franchise agreement with a 60-day notice. (As of the date of these financial statements, the Company has not elected to increase fees.) Disbursements from the SMF are to be used to pay expenses incurred in connection with general marketing and promotion of licensed franchisees.

Marketing fee deposits to the SMF are recorded as income by the Company, and disbursements from the SMF for marketing and promotion expenses are recorded as expenses, unless marketing fee deposits exceed the expenses incurred, in which case the Company records a contract liability for excess deposits.

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements (continued)
December 31, 2022 and 2021

NOTE 5 – COMMITMENTS

At December 31, 2021, the Company had placed deposits totaling \$2,000 which were included in prepaid expenses for the commitment to lease two point-of-sale (POS) systems for the implementation in future franchise sales. The lease agreements required minimum monthly rent payments of \$544, plus additional amounts for hardware and processing costs. The leases are for a period of two years beginning on the date on which the restaurant opens. During 2022, the deposits and corresponding right of use were transferred to a franchisee upon the opening of their location, and the deposits were expensed within cost of goods sold.

NOTE 6 – GOING CONCERN

The accompanying financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business. However, the Company has accumulated a member's deficit as a result of the Company being in its development stage. The financial statements do not include any adjustments that might result if the Company ceased to continue as a going concern.

As shown in the accompanying financial statements, the Company has a cumulative member's deficit of \$488,591 as of December 31, 2022. For years ended December 31, 2022 and 2021, the Company has generated revenue of \$329,806 and \$667, respectively. Future revenue generation is dependent upon the Company's ability to sell licenses and franchises to operate dine-in and carry-out restaurants. While management has taken aggressive measures to market the Company, there is no assurance that adequate license and franchise agreements will be secured in the near term to sustain operations. In the event that adequate license and franchise agreements cannot be secured or renewed in the near term, the sole member will use available financial resources to support operations and fund obligations.

EXHIBIT B
FRANCHISE AGREEMENT



BARREL HOUSE FRANCHISE AGREEMENT

YOU (FRANCHISEE)

DATE OF AGREEMENT

Barrel House Enterprises LLC
FTC 2024 Franchise Agreement

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EXHIBITS

- A – RESTAURANT LOCATION AND PROTECTED TERRITORY
- B – RESTAURANT LOCATION GENERAL AREA
- C – RESTAURANT LEASE ADDENDUM
- D – GUARANTY AND ASSUMPTION OF OBLIGATIONS
- E – FORM CONFIDENTIALITY AGREEMENT

BARREL HOUSE FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“Agreement”) is made and entered into this _____ day of _____, 20_____, between Barrel House Enterprises LLC, an Iowa limited liability company, with a principal place of business at 4401 West Locust Street, Davenport, Iowa 52804 (“we” or “us”), and _____, a _____ [corporation / limited liability company / partnership] with a principal place of business at _____ (“you”).

INTRODUCTION

A. We have developed and own a System (as defined below) relating to the development and operation of restaurants featuring hot and cold specialty sandwiches, burgers, pizzas, quesadillas, tacos, salads, wraps, and other pub-style food, and alcoholic and non-alcoholic beverages.

B. Our affiliate owns and licenses to us the “Barrel House (and design)®” and “Barrel House™” service marks, and other related trademarks and service marks as we periodically may modify (the “Marks”) used in operating the System.

C. We grant qualified persons the right to develop, own and operate a Barrel House Restaurant (as defined below) at a specific location.

D. You desire to obtain the right to develop and operate a Barrel House Restaurant using the System at a specific location.

AGREEMENTS

In consideration of the mutual covenants and agreements stated below, the parties agree as follows:

1. DEFINITIONS

A. “Barrel House Restaurant” means a restaurant that operates under the Marks and the System featuring hot and cold specialty sandwiches, burgers, pizzas, quesadillas, tacos, salads, wraps, and other pub-style food, and alcoholic and non-alcoholic beverages.

B. “Confidential Information” means the methods, techniques, formats, marketing and promotional techniques and procedures, specifications, information, recipes, Operations Manual (as defined in Section 7(E)), systems, and knowledge of and experience in the operation and franchising of Barrel House Restaurants that we communicate to you or that you otherwise acquire in operating the Restaurant under the System. Confidential Information does not include information, processes or techniques that are generally known to the public, other than through disclosure (whether deliberate or inadvertent) by you.

C. “Marks” means the “Barrel House (and design)®” and “Barrel House™” service marks, the related design logo, and other trademarks, service marks, domain names, logos, slogans, and commercial symbols that we have designated, or may in the future designate, for use in the System.

D. “Gross Sales” means the aggregate amount of all sales of all food and beverages, and other goods and services, whether for cash, on credit or otherwise, made or provided at or in connection with the Restaurant, including off-premises sales and monies derived at or away from the Restaurant. The term “Gross Sales” does not include: (1) any federal, state, municipal or other sales, value added or retailer’s excise taxes paid or accrued by you; and (2) adjustments for net returns on salable goods and discounts

allowed to customers on sales; or (3) discounts for meals for Restaurant employees. Gross Sales will not be adjusted for uncollected accounts. For purposes of the Royalty Fee described in Section 4(B) below, the sale is made at the earlier of delivery of the product or service, or receipt of payment. We reserve the right to modify our policies and practices regarding revenue recognition, revenue reporting, and the inclusion or exclusion of certain revenue from “Gross Sales” as circumstances, business practices, and technology change.

E. “Operating Principal” means the designated individual responsible for the day-to-day operation of the Restaurant. We must approve the Operating Principal and the Operating Principal must successfully complete our initial training program and all mandatory follow-up training programs.

F. “Principal Owner” means any person or entity who directly or indirectly owns a ten percent (10%) or greater interest in you. If any corporation or other entity other than a partnership is a Principal Owner, a “Principal Owner” also will mean a shareholder or owner of a ten percent (10%) or greater interest in such corporation or other entity. If a partnership is a Principal Owner, a “Principal Owner” also will mean each general partner of such partnership and, if such general partner is an entity, each owner of a ten percent (10%) or greater interest in such general partner.

G. “Products” means hot and cold specialty sandwiches, burgers, pizzas, quesadillas, tacos, salads, wraps, and other pub-style food, and alcoholic and non-alcoholic beverages and related food and beverage products, and other accessories, that we may (1) identify on the authorized menu for Barrel House Restaurants, as we periodically may modify, or (2) otherwise approve for sale in the Restaurant.

H. “Protected Territory” means the geographic area, identified in Exhibit A, which is an area surrounding the location of the Restaurant that we determine.

I. “Restaurant” means the Barrel House Restaurant developed and operated under this Agreement that offers the Products.

J. “System” means our method of doing business, which includes the sale of Products for the individual consumer under the Marks at select restaurant locations, using certain distinctive types of décor, products, equipment (including the Computer System (as defined in Section 6(D) below)), supplies, Confidential Information, business techniques, methods and procedures, sales promotion programs, and the Marks, as we periodically may modify and further improve.

2. GRANT OF FRANCHISE

A. Grant of Franchise, Authorized Location and Protected Territory. Subject to the provisions contained in this Agreement, we grant you a license (the “Franchise”) to own and operate a Barrel House Restaurant (the “Restaurant”) at a site we approve (the “Authorized Location”) and to use the Marks and other aspects of the System in operating the Restaurant. The location of the Restaurant and your Protected Territory are identified in Exhibit A, or alternatively, you and we will complete and sign Exhibit B, in which you and we agree on a geographic area in which the location of the Restaurant will be established, subject to our written consent, within six (6) months after the date of this Agreement. You do not receive any territorial rights upon designation of the geographic area in Exhibit B, and we and our affiliates have the right to operate and franchise other Barrel House Restaurants within that designated area. Once we consent to a location for the Restaurant within the geographic area established in Exhibit B, however, you and we will sign Exhibit A and identify the Protected Territory.

B. Nature of Your Protected Territory. During the term of this Agreement, if you are in compliance with the terms of this Agreement, we will not directly operate or franchise other persons to

operate any other Barrel House Restaurant within the Protected Territory. The Franchise granted to you under this Agreement is personal in nature, may not be used at any location other than at the Authorized Location, and does not include the right to sell any Products or services identified by the Marks at any location other than at the Authorized Location. This Agreement does not include the right to sell any Products or services identified by the Marks through any other channels of distribution, including the Internet (or any other existing or future form of electronic commerce). You will not open any other Barrel House Restaurant, whether within or outside the Protected Territory, unless we permit you to do so under a separate franchise agreement. You will not have the right to subfranchise or sublicense any of your rights under this Agreement. You will not use the Restaurant for any purposes other than the operation of a Barrel House Restaurant. You also understand and agree that the Protected Territory does not include, and we reserve all franchise and development rights respecting any regional, enclosed or similarly situated shopping centers or malls, airports or other transportation terminals, sports facilities, hospitals, college and university campuses, corporate campuses, a department within an existing retail store, hotels, grocery stores, or other similar types of locations that have a restricted trade area (“Captive Market Locations”) located within the geographic boundaries of the Protected Territory.

C. Catering and Delivery Services. You may offer catering and delivery services in the Protected Territory to the extent we permit you to do so in writing, and only in compliance with this Agreement, the Operations Manual and other policies and requirements we impose. We reserve the right to terminate or restrict your right to offer catering and delivery services at any time following written notice. If neither we nor another franchisee operates in an area adjacent to your Protected Territory, you may offer catering and delivery services outside of your Protected Territory with our prior written consent. You acknowledge and agree that we retain all rights to all unassigned territory located outside of your Protected Territory, including those rights described in Section 2(D) below. We may elect to develop or sell any unassigned territory located outside of your Protected Territory at any time without prior notice or accommodation to you.

D. Third-Party Delivery Services. You will not engage in, subcontract to third parties or use any on-line or internet-based delivery scheduling companies or applications, or authorize or permit any other person or entity to engage in delivery operations at or from the Restaurant, unless we have granted prior written approval to such delivery operations or program. We may grant or not grant such approval in our sole discretion. We may condition our approval on, among other things, (a) your strict compliance with this Agreement and the standards and specifications for Restaurant operations stated in the Operations Manual, including those relating to delivery scheduling companies or applications as well as billing, collections and reporting of such services; and/or (b) your use of third-party ordering, delivery and/or billing services and/or software that we designate or approve.

E. Rights Reserved to us. We (for us and our affiliates) retain the right:

1. to directly operate, or to grant other persons the right to operate, Barrel House Restaurants at locations outside the Protected Territory;
2. to directly operate, or to grant other persons the right to operate, Barrel House Restaurants at Captive Market Locations within and outside the Protected Territory;
3. to promote, sell and distribute anywhere the Products and the services authorized for sale at Barrel House Restaurants under trademarks and service marks other than the Marks through similar or dissimilar channels of distribution;
4. to promote, sell, distribute and license the Products and the services authorized for sale at Barrel House Restaurants as well as ancillary products and services such as food products,

beverages, clothing, glassware and memorabilia under the Marks through dissimilar channels of distribution (*i.e.*, other than the operation of full-service Barrel House Restaurants), including direct mail, wholesale activities, and by electronic means such as the Internet, and pursuant to conditions we deem appropriate within and outside the Protected Territory;

5. to acquire businesses that are the same as or similar to the Restaurant or other Barrel House Restaurants and operate such businesses regardless of whether such businesses are located within or outside the Protected Territory, and to be acquired by any third party which operates businesses that are the same as or similar to the Restaurant or other Barrel House Restaurants regardless of whether such businesses are located within or outside the Protected Territory; and

6. to promote the System and the Restaurants generally, including on the Internet (or any other existing or future form of one or more electronic commerce) and to create, operate, maintain and modify, or discontinue the use of websites using the Marks.

3. TERM OF FRANCHISE; RENEWAL RIGHTS

A. Term. The term of this Agreement will be for ten (10) years commencing on the date of this Agreement (the "Effective Date").

B. Renewal Agreement. You will have the right to enter into a renewal agreement for the Franchise for the Business for two (2) additional terms of five (5) years each, provided you satisfy the following conditions respecting each renewal term:

1. You have given us written notice at least sixty (60) days but no more than one hundred eighty (180) days before the end of the term of this Agreement of your intention to enter into a renewal agreement;

2. You have complied with all of the material provisions of this Agreement and all other agreements between you and us or any of our respective affiliates, including the payment of all monetary obligations you owe to us or our affiliates, and have complied with our material operating and quality standards and procedures;

3. You provide documentation satisfactory to us that you have the right to maintain possession of the Restaurant premises during the renewal term described in our then-current Franchise Agreement and have, at your expense, made such reasonable capital expenditures necessary to remodel, modernize and redecorate the Restaurant premises and to replace and modernize the décor, supplies, fixtures, signs, and equipment used in operating the Restaurant so that the Restaurant reflects the then-current physical appearance of new Barrel House Restaurants, or can secure a new location within the Protected Territory to which we have consented (such consent not to be unreasonably withheld) and agree to make all required improvements to the Restaurant premises and install all required fixtures and equipment in compliance with our then-current standards and specifications for new Barrel House Restaurants;

4. Both a Principal Owner we approve and the Operating Principal complete, to our satisfaction, any new training and refresher training as we may reasonably require. You are responsible for travel, living and compensation costs of attendees;

5. You have paid to us at least thirty (30) days before the term of this Agreement expires a Renewal Fee equal to twenty percent (20%) of our then-current initial franchise fee new Barrel House Restaurants;

6. You sign our then-current standard Franchise Agreement which may differ materially from the provisions of this Agreement; provided that you will be required to pay the Renewal Fee in lieu of the Initial Franchise Fee stated in the then-current Franchise Agreement; and

7. You and each Principal Owner sign a general release, in form acceptable to us, of all claims against us and our affiliates, officers, directors, employees, and agents.

4. FRANCHISE AND OTHER FEES

A. Initial Franchise Fee. You will pay us an “Initial Franchise Fee” of Forty Thousand Dollars (\$40,000). The Initial Franchise Fee is payable when you sign this Agreement and is not refundable.

B. Royalty Fee. You will pay us a non-refundable weekly Royalty Fee equal to five percent (5%) of your Gross Sales. The Royalty Fee is due and payable on or before the Wednesday of each week for the preceding seven (7) day period ending on Sunday of such week (Monday to Sunday) based on the Gross Sales during such seven (7) day period. We reserve the right to modify our policies and practices regarding revenue recognition, revenue reporting, and the inclusion or exclusion of certain revenue from “Gross Sales” as circumstances, business practices, and technology change. If the state or local jurisdiction in which the Restaurant is located prohibits or restricts in any way your ability to pay Royalty Fees and/or the Marketing Fees on the sale of alcoholic beverages, you will be required to pay such fees/contributions at an increased percentage to offset the amount prohibited or restricted by law. You will pay the Royalty Fee to us by electronic funds transfer where we will electronically debit your designated bank account, as described in Section 4(G).

C. Marketing Fee. As further described in Section 5(A) below, you will pay us a non-refundable weekly Marketing Fee in an amount up to three percent (3%) of Gross Sales. We will deposit the Marketing Fee into the System Marketing Fund described in Section 5(A) below. The Marketing Fee is due and payable at the same time and in the same manner as the Royalty Fee. We may adjust the amount of the then-current Marketing Fee following thirty (30) days’ written notice to you, and we will not increase the Marketing Fee more than once per calendar year.

D. Technology Fee. You will pay us our then-current monthly technology fee (the “Technology Fee”), currently equal to Two Hundred Dollars (\$250). The Technology Fee is due each calendar month within seven (7) days after the end of the prior calendar month. You will pay the Technology Fee to us by electronic funds transfer where we will electronically debit your designated bank account, as described in Section 4(G). We may adjust the amount of the Technology Fee once per calendar year.

E. Late Fee. You agree to pay us a late fee for each required payment not made on or before its original due date (and for each payment not honored by your financial institution). This late fee will equal One Hundred Dollars (\$100) of the original amount due but not paid on time (plus any bank charges). The late fee is not interest or a penalty but is in lieu of interest and compensates us for increased administrative and management costs due to your late payment.

F. Prohibited Product Fee. You must pay us a “Prohibited Product Fee” of Two Hundred Fifty Dollars (\$250) per day for use of unauthorized Products or services in the operation of the Restaurant. The Prohibited Product Fee is charged as consideration for the expenses we incur in addressing your failure

to comply with the terms of this Agreement and/or the Operations Manual. All Prohibited Product Fees will imposed according to the schedule stated in the Operations Manual. The fees described in Sections 4(E) and 4(F) do not limit our rights to place you in default or terminate this Agreement, or take any other action permitted to us at law or in equity.

G. Electronic Transfer of Funds. We will require you to sign electronic transfer of funds authorizations and other documents as we periodically designate to authorize your bank to transfer, either electronically or through some other method of payment we designate, directly to our account and to charge your account for all Royalty Fees, Marketing Fees, Technology Fees and other amounts you owe us. Your authorization will permit us to designate the amount to be transferred from your account. You must maintain a balance in your accounts sufficient to allow us to collect the amounts owed to us when due. You will be responsible for any penalties, fines or similar expenses associated with the transfer of funds described herein.

H. Interest on Late Payments. All Royalty Fees, Marketing Fees, Technology Fees and other amounts which you owe to us or our affiliates will bear interest after the due date at the lesser of: (1) eighteen percent (18%) per year; or (2) the maximum contract rate of interest permitted by law in the state in which the Restaurant is located.

I. Application of Payments. We have discretion to apply amounts due to us or any of our affiliates any payments received from you or any amount we owe you.

J. Withholding Payments Unlawful. You agree that you will not withhold payment of any Royalty Fees, Marketing Fees, Technology Fees or any other amount due us, and that the alleged non-performance or breach of any of our obligations under the Franchise Agreement or any related agreement does not establish a right at law or in equity to withhold payments due us for Royalty Fees, Marketing Fees or any other amounts due.

K. Tax Indemnification. You will indemnify us and reimburse us for all income, capital, gross receipts, sales, and other taxes that the state in which the Restaurant is located imposes as a result of your operation of the Restaurant or the license of any of our intangible property in the jurisdiction in which the Restaurant is located. We will have no liability for any taxes that arise or result from your Restaurant, and you will indemnify us and our affiliates for any such taxes that may be assessed or levied against us which arise out of or result from your Restaurant. If any “franchise” or other tax which is based upon the Gross Sales, receipts, sales, business activities, or operation of Franchisee’s Restaurant is imposed upon us or our affiliates by any taxing authority, then you will reimburse us and our affiliates for all such taxes paid by us or our affiliates. If more than one Barrel House Restaurant is located in such jurisdiction, they will share the liability in proportion to their Gross Sales from the franchised business, except in the case of sales taxes and gross receipts taxes, which will be divided in proportion to taxable sales to you. If applicable, this payment is in addition to the Royalty Fee payments described above.

5. ADVERTISING

A. Marketing and Promotional Fund. You will pay to us for deposit in a marketing and promotional fund (the “System Marketing Fund” or “Fund”) our then-current marketing fee (the “Marketing Fee”), currently equal to 1% of Gross Sales as of the Effective Date. We may adjust the amount of the then-current Marketing Fee following thirty (30) days’ written notice to you, provided that the Marketing Fee will not exceed 3% of Gross Sales, and we will not increase the Marketing Fee by more than 0.5% during any calendar year. The Marketing Fee is due and payable in the same manner as the Royalty Fee, as described in Section 4(B) above. We will not increase the Marketing Fee more than once per calendar year. We will place all Marketing Fees we receive in the System Marketing Fund and will manage such Fund. We also will

contribute to the System Marketing Fund for each Barrel House Restaurant that we operate in the United States at the same percentage rate as a majority of Barrel House Restaurants must pay to the System Marketing Fund. Reasonable disbursements from the System Marketing Fund will be made solely to pay expenses we incur in connection with the general promotion of the Marks and the Business System, including the cost of formulating, developing and implementing advertising, marketing, promotional and public relations campaigns; and the reasonable costs of administering the System Marketing Fund, including the cost of employing advertising, public relations and other third party agencies to assist us and providing promotional brochures and advertising materials to Barrel House Restaurants and to regional and local advertising cooperatives, as well as accounting expenses and the actual costs of salaries and fringe benefits paid to our employees engaged in administration of the System Marketing Fund. The System Marketing Fund is not a trust or escrow account, and we have no fiduciary obligations regarding the System Marketing Fund. We cannot ensure that you will benefit directly or on a pro rata basis from the future placement of any such advertising in your local market. We may spend in any fiscal year an amount greater or less than the aggregate contributions of Barrel House Restaurants to the System Marketing Fund in that year. We may, through the System Marketing Fund, furnish you with approved local marketing plans and materials on the same terms and conditions as plans and materials we furnish to other Barrel House Restaurants. We will determine the methods of advertising, media employed and scope, contents, terms and conditions of advertising, marketing, promotional and public relations campaigns and programs. Upon written request, we will provide you an annual unaudited statement of the receipts and disbursements of the System Marketing Fund for the most recent calendar year.

B. Local Marketing and Restaurant Promotion. In addition to the Marketing Fee due under Section 5(A) above, you will spend a minimum of one percent (1%) of Gross Sales during each calendar year on “approved” Restaurant marketing and promotional activities in your local geographic area. We reserve the right to increase your required local marketing expenditures upon thirty (30) days’ written notice to you, provided that the required minimum local marketing expenditures will not exceed three percent (3%) of Gross Sales. On or before February 15 of each year, you will provide us with an accounting of the funds that you have spent on local marketing for the preceding calendar year. If you fail to spend the minimum amount required under this Section for the calendar year on approved local marketing, you will deposit with us the difference between what you should have spent on approved marketing during the calendar year and what you actually spent on approved marketing during the calendar year. We will deposit that amount in the System Marketing Fund. For purposes of this Section, Restaurant marketing and promotional activities are “approved” if they comply with Section 5(D) below.

C. Cooperative Advertising. In the future, we may require that you will participate in, support and contribute to the cost of regional cooperative advertising programs we designate. We reserve the right to designate regional and local advertising markets, to establish regional advertising councils and to establish the bylaws and other rules under which such councils will operate. Your contributions to regional and local advertising cooperatives will be credited toward your local marketing obligations described in Section 5(B) above, as we periodically prescribe.

D. Approved Advertising, Media Plans and Restaurant Promotion Materials. We may develop, and make available to you, local restaurant media planning assistance. If we do so, you must use our recommended media plan in promoting the Restaurant or otherwise develop, and obtain our advance written approval to, an alternative media/promotion plan. In addition, you will use only our approved advertising and promotional materials in promoting the Restaurant. If you desire to use any advertising or promotional materials in promoting the Restaurant that we previously have not approved, you must submit all materials to us for our approval before using any such materials, which approval will not be unreasonably withheld. If we do not disapprove those advertising or promotional materials within ten (10) days after you submit those materials to us, then you may use the materials, although we reserve the right to disapprove those materials at any later time. If you use any advertising or promotional materials without submitting those materials to us

or if you use materials we disapprove, in addition to any separate remedies we may have, any amounts spent on those materials will not be credited toward your local marketing obligations described in Section 5(B) above.

E. Participation in Certain Programs and Promotions. You must use your best efforts to promote and advertise your Restaurant and must participate in all advertising and promotional programs we establish in the manner we direct. You must, at your expense, participate in, and honor all provisions of any gift card and/or loyalty program that we have established or may establish and as we may modify, as further described in the Operations Manual and pay for any application related to that program. You also must honor all coupons, discounts and gift certificates as we may reasonably specify in the Operations Manual or otherwise in writing. You must also participate in any mystery shopper program we require.

6. DEVELOPMENT AND OPENING OF THE RESTAURANT

A. Lease for Restaurant Premises. If you enter into a lease for the Restaurant premises, you must provide the proposed lease to us and receive our prior written approval of the proposed lease (which will not be unreasonably withheld) before you sign it. In addition, you and the landlord of the Authorized Location (“Landlord”) must sign a “Lease Addendum” in the form attached hereto as Exhibit C.

B. Your Development of the Restaurant. Promptly after you sign a lease or acquire the premises for the Restaurant, and receive from us the prototype plans and specifications for the Restaurant, you will:

1. with the assistance of a licensed architect we designate or approve, prepare and submit to us for approval any proposed modifications to our basic plans and specifications, which you may modify only to the extent necessary to comply with applicable ordinances, building codes, permit requirements and lease or deed requirements and restrictions;
2. obtain all required building, utility, sign, health, sanitation, food handling, liquor license, and business permits and licenses, and any other required permits and licenses;
3. construct all required improvements to the Restaurant premises, purchase and install all required fixtures and equipment and decorate the premises in compliance with the plans and specifications we approve and in compliance with all applicable ordinances, building codes, permit requirements and lease or deed requirements and restrictions;
4. establish filing, accounting and inventory control systems complying with our requirements; and
5. contract with a qualified, licensed, insured and bonded general contractor to supervise the construction of the Restaurant.

C. Fixtures, Equipment, Furniture and Signs. You will use in constructing and operating the Restaurant only those types of construction and decorating materials, fixtures, equipment (including computer hardware and software), furniture, and signs that we have approved for Barrel House Restaurants as meeting our specifications and standards for appearance, function and performance. You may purchase approved types of construction and decorating materials, fixtures, equipment, furniture and signs from any supplier we approve or designate (which may include us and/or our affiliates). If you propose to purchase any material, fixture, equipment, furniture or sign we have not then approved, or any items from any supplier we have not then approved, you must first notify us in writing and will provide to us (upon our request) sufficient specifications, photographs, drawings and other information or samples for us to

determine whether the material, fixture, equipment, furniture or sign complies with our specifications and standards, or the supplier meets our approved supplier criteria, which determination we will make and communicate in writing to you within a reasonable time. We may charge a reasonable fee to evaluate any proposed material, fixture, equipment, furniture, sign, or supplier you submit to us for our evaluation.

D. Computer System. You will use in the Restaurant the computer, point-of-sale and reporting system, including all existing or future communication or data storage systems, components thereof and associated service, which we may develop or select for the System (collectively, the “Computer System”). You also must use the proprietary software programs we designate for use in operating your Restaurant, including any software used for the Computer System (collectively, the “Proprietary Software”). You must obtain and use the Proprietary Software from us or our designated third party supplier. The Proprietary Software will remain the confidential property of us or our third party supplier. You must enter into our or our designee’s standard form software license agreement in connection with your use of the Proprietary Software. We reserve the right to charge you a license fee related to your use of the Proprietary Software. You will pay the then-current fee for the Proprietary Software at or before the Proprietary Software is delivered to you. In addition, you must pay us the Technology Fee described in Section 4(D) for computer software support and periodic updates we or our designee provide to you respecting the Proprietary Software. We reserve the right to assign our rights, title and interest in any Proprietary Software to a third party we designate or to replace the Proprietary Software. In such event, you may be required to enter into a separate software license agreement specified by the third party supplier of the Proprietary Software and pay any separate fees imposed under that agreement. You must participate in our designated Payment Card Industry (“PCI”) compliance program and comply with all applicable data security standards. You will pay us or our designated third party supplier the then-current monthly fee and sign our or our designated third party supplier’s standard form agreement related to your participation in our designated PCI compliance program. We also may access financial information and customer data produced by or otherwise located on your Computer System (collectively the “Customer Data”). During the Term, we and you will have joint ownership of the Customer Data that is stored on the Computer System, although you will be responsible for obtaining all customer consents necessary to allow us to use the Customer Data for various purposes as we may identify. We will periodically establish policies respecting the Customer Data. You must comply with all laws and regulations relating to privacy and data protection, and must comply with any privacy policies or data protection and breach response policies we periodically may establish. You must notify us immediately of any suspected data breach at or in connection with the Restaurant. You will have at the Restaurant Internet access with a form of high-speed connection as we require. You will use an e-mail address we designate for communication with us. The computer hardware component of the Computer System must comply with specifications we develop. We reserve the right to require the Computer System to be configured as a package unit. We have the right to designate a single source from which you must purchase the Computer System, any software or hardware components thereof or associated service, and we or our affiliates may be that single source. You will be required to use and, at our discretion, pay for all future updates and modifications to the Computer System. It is your responsibility to protect yourself from disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders and you waive all claims you may have against us as the direct or indirect result of such disruptions, failures and attacks.

E. Restaurant Opening. You must comply with any Restaurant opening requirements we periodically describe in the Operations Manual. You will not open the Restaurant for business without our prior written approval. You agree to complete the development and open the Restaurant for business within the time period stated in Exhibit A or Exhibit B, whichever Exhibit is applicable.

F. Restaurant Opening Kit. Before opening your Restaurant, you must purchase a restaurant opening kit from us, our affiliate, or our third-party designated vendor, as we determine. This restaurant opening kit will include business cards, brochures, ribbon-cutting materials, homeowner pre-mailers, door hangers, folders, envelopes, yard signs, and other marketing materials.

G. Restaurant Opening Campaign. During the period beginning thirty (30) days before the opening of your Restaurant and ending thirty (30) days following such opening, you must spend a minimum of Five Thousand Dollars (\$5,000) on a Restaurant opening campaign that we have approved in advance. You will use our designated media vendor (if any) and must implement our recommended media plan (if any) in conducting the Restaurant opening campaign. We reserve the right to collect the Five Thousand Dollars (\$5,000) directly from you and spend it on your behalf in connection with the Restaurant opening campaign. On or before the last day of each month during the first three (3) months of Restaurant operations, you must provide us with an accurate accounting of Restaurant opening campaign (advertising and marketing) expenses.

H. Relocation of Restaurant. You will not relocate the Restaurant from the Authorized Location without our prior written consent. If you relocate the Restaurant under this Section 6(H), the “new” franchised location of the Restaurant to which we consent (the “new” Authorized Location), including the real estate and building, must comply with all applicable provisions of this Agreement and with our then-current specifications and standards for Barrel House® restaurants. We will not unreasonably withhold our consent to the proposed relocation, provided we have received at least ninety (90) days’ written notice prior to the closing of the Restaurant at the existing Authorized Location, you have obtained a site to which we have consented, and you agree to open the new Authorized Location for the Restaurant within five (5) days after you close the Restaurant at the prior Authorized Location and comply with any other conditions that we may require. If you must relocate the Restaurant because the Restaurant was destroyed, condemned or otherwise became untenable by fire, flood or other casualty, you must reopen the Restaurant at the new Authorized Location in the Protected Territory within twelve (12) months after you discontinue operation at the existing Authorized Location.

In addition, we will require you to pay us a fee equal to fifty percent (50%) of our then-current standard initial franchise fee applicable to new Barrel House Restaurants (the “Relocation Fee”) for services we will provide in connection with any relocation of the Restaurant before we will review a proposed new Authorized Location. You must pay us fifty percent (50%) of the Relocation Fee to us when you request to relocate the Restaurant, and this part of the Relocation Fee refundable to you, less any costs and expenses we incurred, if you fail to find a new location for your Restaurant. You must pay the remaining fifty percent (50%) to us upon our acceptance of your proposed new location for the Restaurant, and the Relocation Fee is not refundable once we accept the proposed new location for the Restaurant.

There is no guarantee that an acceptable location will be available for relocation, and if you cannot relocate your Restaurant within the Protected Territory and reopen your Restaurant within the time periods described in this Section 6(H), this Agreement will terminate.

I. Minimum Restaurant Capital Requirements. We reserve the right, as periodically described in the Operations Manual, to require you to directly invest (i.e., assets belonging to you or the Principal Owner(s) of a corporate entity) a minimum amount of capital in operating the Restaurant.

7. TRAINING AND OPERATING ASSISTANCE

A. Development of Restaurant. We will provide you with prototype drawings and specifications for a Restaurant, reflecting our requirements for dimensions, interior design and layout, image, building materials, fixtures, equipment, furniture, signs and decor. We will provide you with reasonable consulting services in connection with the selection and evaluation of the proposed Restaurant site and development of the Restaurant. You acknowledge that our assistance in site location and consent to the premises does not represent a representation or guaranty by us that the location will be a successful location for your Restaurant.

B. Training. Before the opening of the Restaurant, we will provide to the Operating Principal and two (2) key management personnel an initial training program on the operation of a Restaurant, provided at a place and time we designate. Each of these three (3) individuals must attend and successfully complete the entire initial training program.

The initial training program for the Operating Principal and management personnel will take place over a period of up to ten (10) business days. The initial training program includes classroom instruction and on-site training relating to Restaurant operations, understanding the equipment usage and maintenance, customer service, marketing and sales programs and methods of controlling operating costs. If, during the initial training program, we determine that the Operating Principal or either of the management personnel is not qualified to manage the Restaurant, we will notify you and you must select and enroll a substitute Operating Principal or management personnel in the initial training program.

In addition, all new Operating Principals and key management personnel must complete our designated initial training program. We may charge you our then-current fee for those new or additional individuals who attend the initial training program.

We may require that the Operating Principal and any key management personnel attend all supplemental and refresher training programs that we designate for up to seven (7) days each calendar year. We may charge you a reasonable fee for these supplemental and refresher training programs.

You are solely responsible for the compensation, travel, lodging and living expenses you and your employees incur in attending the initial training program, and the manager certification program, as well as any supplemental or refresher training programs. You also are solely responsible for paying your employees and providing all necessary insurance, including worker's compensation insurance, for you and your employees, while you and your employees attend training.

C. Opening Assistance. We will provide you with the services of one of our representatives for three (3) to five (5) days to assist you in the opening and initial operations of the Restaurant. We will determine the number of days and the time at which our representative is available to you.

D. Operating Assistance. We will advise you on operational issues and provide assistance in operating the Restaurant as we deem appropriate. Operating assistance may include advice regarding the following:

1. additional Products and services authorized for sale at Barrel House Restaurants;
2. selecting, purchasing and marketing Products, and other approved materials and supplies;
3. marketing assistance and sales promotion programs;
4. establishing and operating administrative, bookkeeping, accounting, inventory control, sales and general operating procedures for the proper operation of a Barrel House Restaurant.

We will provide such guidance, in our discretion, through our Operations Manual, bulletins or other written materials, telephone conversations and/or meetings at our office or at the Restaurant in conjunction with an inspection of the Restaurant. We will provide additional assistance for a fee.

E. Operations Manual. We will provide on loan to you, during the term of this Agreement, a hard copy of or electronic (Internet) access to an Operations Manual, which may include other handbooks, manuals and written materials (collectively, the “Operations Manual”) for Barrel House Restaurants. The Operations Manual will contain mandatory and suggested specifications, standards and operating procedures that we develop for Barrel House Restaurants and information relating to your other obligations. Any required specifications, standards and operating procedures exist to protect our interests in the System and the Marks and to create a uniform customer experience, and not to establish any control or duty to take control over those matters that are reserved to you. We may add to, and otherwise modify, the Operations Manual to reflect changes in authorized Products and services, and specifications, standards and operating procedures of a Barrel House Restaurant. The master copy of the Operations Manual that we maintain at our principal office or on our website, and make available to you by hard copy or electronic access, will control if there is a dispute involving the contents of the Operations Manual.

8. MARKS

A. Ownership and Goodwill of Marks. You acknowledge that you have no interest in or to the Marks and that your right to use the Marks is derived solely from this Agreement and is limited to the conduct of business in compliance with this Agreement and all applicable specifications, standards and operating procedures that we require during the term of the Franchise. You agree that the use of the Marks and any goodwill established exclusively benefits us and our affiliates, and that you receive no interest in any goodwill related to your use of the Marks or the System. You must not, at any time during the term of this Agreement or after your termination or expiration, contest or assist any other person in contesting the validity or ownership of any of the Marks.

B. Limitations on Your Use of Marks. You agree to use the Marks as the sole identification of the Restaurant, but you must identify yourself as the independent owner in the manner we direct. You must not use any Mark as part of any corporate or trade name or in any modified form, nor may you use any Mark in selling any unauthorized product or service or in any other manner we do not expressly authorize in writing. You agree to display the Marks prominently and in the manner we direct on all signs and forms. Subject to our rights described in this Agreement, you agree to obtain fictitious or assumed name registrations as may be required under applicable law.

C. Restrictions on Internet and Website Use. We retain the sole right to advertise the System on the Internet and to create, operate, maintain and modify, or discontinue the use of, a website using the Marks. You have the right to access and participate in our website as further described in Section 9(M) below. Except as we may authorize in writing, however, you will not: (1) link or frame our website; (2) conduct any business or offer to sell or advertise any Products or similar products or services on the Internet (or any other existing or future form of electronic communication) including e-mail marketing or other digital marketing; (3) create or register any Internet domain name in any connection with the Restaurant; (4) use any e-mail address which we have not authorized for use in operating the Restaurant; and (5) conduct any activity on “social media” or related social networking website other than as we have expressly authorized in writing. You will not register, as Internet domain names, any of the Marks that we or our affiliates now or hereafter may own or any abbreviation, acronym or variation of the Marks, or any other name that could be deemed confusingly similar.

D. Notification of Infringements and Claims. You must notify us immediately in writing of any apparent infringement of or challenge to your use of any Mark, or any claim by any person of any rights in any Mark or any similar trade name, trademark or service mark of which you become aware. You must not communicate with any person other than us, our affiliates and our respective legal counsel regarding any infringement, challenge or claim. We or our affiliates may take any action we or our affiliates deem appropriate and have the right to exclusively control any litigation or other proceeding arising out of any

infringement, challenge or claim relating to any Mark. You will sign all documents, provide assistance and take all action as we or our affiliates may reasonably request to protect and maintain our and our affiliates' interests in any litigation or other proceeding or to otherwise protect and maintain our and our affiliates' interests in the Marks.

E. Litigation. You will have no obligation to and will not, without our prior written consent, defend or enforce any of the Marks in any court or other proceedings for or against imitation, infringement, any claim of prior use, or for any other allegation. You will immediately notify us of any claims or complaints made against you respecting the Marks and you will, at your sole expense, cooperate in all respects with us and our affiliates in any court or other proceedings involving the Marks. Subject to our right of indemnification (as described in Section 17 below), we will pay the cost and expense of all litigation we incur, including attorneys' fees, specifically relating to the Marks. We and our affiliates and our respective legal counsel will have the right to control and conduct any litigation relating to the Marks.

F. Changes. You cannot make any changes or substitutions to the Marks unless we so direct in writing. We reserve the right, in our discretion, to modify or discontinue use of any Mark, or to use one or more additional or substitute trademarks or service marks. In such event, you will, at your expense, comply with such modification or substitution within a reasonable time after notice by us.

9. RESTAURANT IMAGE AND OPERATING STANDARDS

A. Condition and Appearance of Restaurant/Remodeling of Restaurant. You agree to maintain the condition and appearance of the Restaurant (including adjacent parking areas and grounds), and refurbish and modify its layout, decor and general theme, as we may require to maintain the condition, appearance, efficient operation, ambience and overall image of Barrel House Restaurants, as we may modify. You will replace worn out or obsolete fixtures, equipment, furniture, or signs, repair the interior and exterior of the Restaurant, adjacent parking areas and grounds, and periodically clean and redecorate the Restaurant. If at any time in our reasonable judgment, the general state of repair, appearance or cleanliness of the Restaurant premises (including parking areas and grounds) or its fixtures, equipment, furniture or signs do not meet our then-current standards, we will so notify you, specifying the action you must take to correct the deficiency. If you fail, within ten (10) days after receipt of notice, to commence action and continue in good faith and with due diligence, to undertake and complete any required maintenance or refurbishing, we may (in addition to our rights under Section 15 below) enter the Restaurant premises and correct the deficiencies on your behalf, and at your expense.

You will, at your expense, make such reasonable capital expenditures necessary to remodel, modernize and redecorate the Restaurant premises and to replace and modernize the supplies, fixtures, signs, and equipment used in your Restaurant so that the Restaurant reflects the then-current physical appearance of new Barrel House Restaurants. We may require you to take such action: (1) five (5) years after the date of this Agreement; (2) as a condition to the transfer of any interest as further described in Section 14(C); (3) as a condition of renewal; and (4) otherwise during the term of the Agreement as further described in the Operations Manual. You acknowledge and agree that the requirements of this Section 9(A) are both reasonable and necessary to ensure continued public acceptance and patronage of Barrel House Restaurants and to avoid deterioration or obsolescence in connection with the operation of the Restaurant.

If the Restaurant is damaged or destroyed by fire or any other casualty, you will, within thirty (30) days, initiate repairs or reconstruction, and thereafter in good faith and with due diligence continue (until completion) repairs or reconstruction, to restore the Restaurant premises to its original condition before the casualty. If, in our reasonable judgment, the damage or destruction is of a nature or to an extent that you can repair or reconstruct the premises of the Restaurant consistent with the then-current decor and specifications of a new Barrel House Restaurant without incurring substantial additional costs, we may

require, by giving written notice, that you repair or reconstruct the Restaurant premises in compliance with the then-current decor and specifications.

B. Restaurant Alterations. You cannot alter the premises or appearance of the Restaurant, or make any unapproved replacements of or alterations to the fixtures, equipment, furniture or signs of the Restaurant without our prior written approval. We may, in our discretion and at your sole expense, correct any alterations to the Restaurant that we have not previously approved.

C. Restriction on Use of Premises. You agree that you will not, without our prior written approval, offer at the Restaurant any products or services we have not then authorized for use or sale for Barrel House Restaurants, nor will the Restaurant or the premises which it occupies be used for any purpose other than the operation of a Barrel House Restaurant in compliance with this Agreement.

D. Your Hiring and Training of Employees. You will hire all employees of the Restaurant, and be exclusively responsible for the terms of their employment, scheduling, benefits, disciplining, compensation, and all other personnel decisions. You will implement a training program for Restaurant employees in compliance with our requirements. You will maintain at all times a staff of trained employees sufficient to operate the Restaurant in compliance with our standards. You must ensure that all Restaurant employees comply with all required licenses and certifications respecting the Restaurant. At all times, the Restaurant must be under the direct, on-site supervision of the Operating Principal or a certified manager who has completed our initial training program.

E. Authorized Ingredients, Supplies and Equipment. You agree to offer and sell at the Restaurant all and only the Products and services, including television platforms and gift cards, which we have approved as being suitable for sale and meeting the standards of quality and uniformity for the System. In addition, you agree to use in the operation of the Business only such beverages, ingredients, recipes, formulas, supplies and equipment that we have approved as being suitable for use and meeting the standards of quality and uniformity for the System and are purchased from suppliers we have approved (which may include us and/or our affiliates). We periodically may modify the lists of approved Products, services, brands and suppliers. If you propose to offer for sale or use in operating the Restaurant any products, ingredients, supplies and equipment which we have not approved, you must first notify us in writing and provide sufficient information, specifications and samples concerning the brand and/or supplier to permit us to determine whether the brand complies with our specifications and standards and/or the supplier meets our approved supplier criteria. We will notify you within a reasonable time whether the proposed brand and/or supplier is approved. We may develop procedures for the submission of a request for approved brands or suppliers and obligations that approved suppliers must assume (which may be incorporated in a written agreement to be signed by the approved supplier). We may impose limits on the number of suppliers and/or brands for any products, ingredients, supplies or equipment sold or used in the Restaurant or otherwise related to the Franchise, and we may require that you use only one supplier for any Products, ingredients, supplies or equipment. You agree that certain Products, materials, and other items and supplies may only be available from one source, and we or our affiliates may be that source. WE AND OUR AFFILIATES MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, RESPECTING PRODUCTS, EQUIPMENT (INCLUDING ANY REQUIRED POINT-OF-SALE SYSTEMS), SUPPLIES, FIXTURES, FURNISHINGS OR OTHER ITEMS THAT ARE MANUFACTURED OR DISTRIBUTED BY THIRD PARTIES AND THAT WE APPROVE FOR USE IN THE SYSTEM.

F. Health and Sanitation. You must comply with all applicable governmental health and sanitary standards in operating and maintaining your Restaurant. You also must comply with any higher standards that we prescribe. In addition to complying with such standards, if the Restaurant will be subject

to any governmental sanitary or health inspection under which it may be rated in one or more than one classification, the Restaurant will be maintained and operated so as to be rated in the highest available health and sanitary classification respecting each such inspection. If you fail to be rated in the highest classification or receive any notice that you are not in compliance with all applicable health and sanitary standards, you will immediately notify us of such failure or noncompliance.

G. Restaurant Operation. We will approve the hours of operation for the Restaurant and you may not modify those hours of operation without our prior written consent.

H. Standards of Service. You must at all times give prompt, courteous and efficient service to your customers. You must, in all dealings with your customers and suppliers and the public, adhere to the highest standards of honesty, integrity and fair dealing.

I. Specifications, Standards and Procedures. You acknowledge that each detail of the appearance and operation of the Restaurant is important to us and other Barrel House Restaurants. You agree to maintain the highest standards of quality and service in the Restaurant and agree to comply with all mandatory specifications, standards and operating procedures (whether contained in the Operations Manual or any other written or oral communication to you) relating to the appearance or operation of a Barrel House Restaurant, including:

1. type and quality of Products and Product procurement;
2. methods and procedures relating to marketing and customer service;
3. the safety, maintenance, cleanliness, function and appearance of the Restaurant premises and its fixtures, equipment, furniture, décor and signs;
4. qualifications, dress, general appearance and demeanor of Restaurant employees. Each of your employees will wear only those uniforms which we have approved in writing;
5. the style, make and/or type of equipment (including computer equipment) used in operating the Restaurant;
6. use and illumination of exterior and interior signs, posters, displays, standard formats and similar items; and
7. Restaurant advertising and promotion.

J. Compliance with Laws and Good Business Practices. You must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Restaurant, including a liquor license, and must operate the Restaurant in full compliance with all applicable laws, ordinances and regulations, including all liquor laws such as dram shop laws, and labor and employment laws. You will comply with all tax laws (including those relating to individual and corporate income taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, F.I.C.A. taxes, inventory taxes, liquor taxes, personal property taxes and real estate taxes, and federal, state and local income tax laws). You must comply with all laws and regulations relating to privacy and data protection and must comply with any privacy policies or data protection and breach response policies we periodically may establish. You must notify us in writing within five (5) days of the commencement of any action, suit, proceeding or investigation, and of the issuance of any order, injunction, award of decree, by any court, agency, or other governmental instrumentality that may adversely affect the operation or financial condition of you or the Restaurant. You must notify us immediately of any suspected data breach at or in connection with the

Restaurant. You will not conduct any business or advertising practice which may or does injure us, our business, the System, the Marks, or the goodwill associated with the Marks and other Barrel House Restaurants.

K. Management of the Restaurant/Conflicting Interests. The Restaurant must at all times be under the Operating Principal's direct supervision and the Operating Principal or a certified manager who has successfully completed our initial training program must be the on-site manager at the Restaurant at all times. You and the Operating Principal must at all times faithfully, honestly and diligently perform the obligations under this Agreement, and you and the Operating Principal must continuously use its best efforts to promote and enhance the business of the Restaurant. The Operating Principal must assume responsibilities on a full-time basis and must not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitments, or otherwise may conflict with your obligations.

If at any time the Operating Principal is not managing the Restaurant, we immediately may appoint a manager to maintain Restaurant operations on your behalf. Our appointment of a manager of the Restaurant does not relieve you of your obligations or constitute a waiver of our right to terminate the Franchise under Section 15 below. We are not liable for any debts, losses, costs or expenses you incur in operating the Restaurant or to any of your creditors for any Products, materials, supplies or services purchased by the Restaurant while it is managed by our appointed manager. We may charge a reasonable fee for management services and cease to provide management services at any time.

L. Insurance. You agree to purchase and maintain in force, at your expense, insurance at a minimum in the types of coverage and amounts we specify in the Operations Manual or otherwise in writing. All insurance policies will: (1) be issued by an insurance carrier(s) acceptable to us and that have an A.M. Best rating of A or higher; (2) will name us and our affiliates, and their respective officers, directors and employees, as an additional insured; (3) contain a waiver of the insurance company's right of subrogation against us; (4) contain the above-mentioned insurance coverage for each Barrel House Restaurant that you operate; and (5) provide that we will receive thirty (30) days' prior written notice of a material change in or termination, expiration or cancellation of any policy (or such shorter period as the insurance carrier may require and approved by us). We periodically may, with prior written notice to you, increase the minimum liability protection requirements, and require different or additional kinds of insurance to reflect inflation or changes in standards of liability. If at any time you fail to maintain in effect any insurance coverage we require, or to furnish satisfactory evidence thereof, we, at our option, may obtain insurance coverage for you. You agree to promptly sign any applications or other forms or instruments required to obtain any insurance and pay to us, on demand, any costs and premiums we incur, together with an administrative fee equal to five percent (5%) of the insurance premium. You will provide us with copies of the certificate of insurance, insurance policy endorsements and other evidence of compliance with these requirements as we periodically require at least two (2) weeks before you take possession and commence development of the Restaurant premises and at such other times as we may require. In addition, you will provide to us a copy of the evidence of the renewal or extension of each insurance policy in a form we require. Your obligation to obtain and maintain these insurance policies in the amounts specified will not be limited in any way due to any insurance that we may maintain, nor does your procurement of required insurance relieve you of liability under the indemnity obligations described in Section 17. Your insurance procurement obligations under this Section are separate and independent of your indemnity obligations. We do not represent or warrant that any insurance that you are required to purchase will provide you with adequate coverage. The insurance requirements specified in this Agreement are for our protection. You should consult with your own insurance agents, attorneys and other insurance advisors to determine the level of insurance protection you need and desire, in addition to the coverage and limits we require.

M. Participation in Internet Website. You will participate in our website listed on the Internet or other online communications (the “Website”) and participate in any intranet system we control. We will, at our discretion, determine the content and use of the Website and intranet system and will establish rules under which you may or will participate. We will retain all rights relating to the Website and intranet system and may alter or terminate the Website or intranet system upon thirty (30) days’ notice to you. Your general conduct on the Internet and our intranet system, and specifically your use of the Marks or any advertising on the Internet (including the domain name and any other Marks we may develop as a result of participation in the Internet), will be subject to the provisions of this Agreement. You acknowledge that certain information obtained through your online participation in the website or intranet system is considered Confidential Information (as defined in Section 12 below), including access codes and identification codes. Your right to participate in the Website or intranet system or otherwise use the Marks or the Business System on the Internet will terminate when this Agreement expires or terminates.

10. RECORDS AND REPORTS

A. Accounting and Records. During the term of this Agreement, you will, at your expense, maintain at the Restaurant premises and retain for a minimum of five (5) years from the date of their preparation, complete and accurate books, records and accounts (using such methods and systems of bookkeeping and accounting as we may require) relating to the Restaurant (the “Records”), in the form and manner we direct in the Operations Manual or otherwise in writing. The Records will include the following: (1) daily cash reports; (2) cash receipts journal and general ledger; (3) cash disbursements journal and weekly payroll register; (4) monthly bank statements and daily deposit slips; (5) all tax returns relating to the Restaurant and each of its Principal Owners; (6) suppliers’ invoices (paid and unpaid); (7) dated POS reports (detailed and summary); (8) monthly balance sheets and profit and loss statements; (9) weekly inventories; (10) records of promotion and coupon redemption; and (11) such other records and information as we periodically may request. You will be permitted to preserve the Records and submit reports electronically, consistent with our requirements.

B. Reports and Tax Returns. You will: (1) provide us and/or our designated third-party vendor with continuous access daily statements relating to Gross Sales accompanying your payment of weekly Royalty Fees; (2) provide us copies of your monthly income statements in a format we require; (3) at our request, provide us copies of your quarterly profit and loss statement for the Restaurant for the immediately preceding calendar quarter and a year-to-date profit and loss statement; (4) provide us copies of your annual profit and loss statement and source and use of funds statement for the Restaurant for the year and a balance sheet for the Restaurant as of the end of the year, reviewed by an independent certified public accountant; and (5) at our request, provide us copies of your annual tax returns relating to the Restaurant and each of its Principal Owners. You also will provide to us copies of all Records and other information and supporting documents as we request. All financial statements, reports and information must be on forms we approve and that you have signed and verified.

11. INSPECTION AND AUDITS

A. Our Right to Inspect the Restaurant. To determine whether you are complying with this Agreement, we may, at any time during business hours and without prior notice to you, inspect the Restaurant and test, sample, inspect and evaluate your supplies, ingredients and Products as well as the storage and preparation of those items. You will fully cooperate with our representatives making any inspection and will permit our representatives to take photographs or videotapes of the Restaurant and to interview employees and customers of the Restaurant. If we establish a mystery shopper program, we may require you to pay for the reasonable expense of mystery shopper visits at your Restaurant.

B. Our Right to Examine Books and Records. We may, at all reasonable times and without prior notice to you, examine, audit, or request copies of the Records, including the books, records and state and/or federal income tax records and returns of any Principal Owner. You must maintain all Records and supporting documents at all times at the Restaurant premises. You will make financial and other information available at a location we reasonably request, and will allow us (and our agents) full and free access to any such information at the Restaurant. You otherwise will fully cooperate with our representative and independent accountants hired to conduct any examination or audit.

C. Result of Audit; Unreported Gross Sales. If any examination or audit discloses an understatement of Gross Sales, you will pay to us, within fifteen (15) days after receipt of the examination or audit report, the Royalty Fees and any Marketing Fees due on the amount of the understatement, plus interest (at the rate provided in Section 4(H) above) from the date originally due until the date of payment. You must reimburse us for the cost of the audit or examination, including the charges of any independent accountants and the travel expenses, room and board and compensation of our employees, if: (1) an examination or audit is necessary because you failed to timely provide required information; or (2) any examination or audit results in a determination that Gross Sales for any month are understated by two percent (2%) or greater. The foregoing remedies are in addition to all of our other remedies and rights under applicable law.

12. CONFIDENTIAL INFORMATION/IMPROVEMENTS

A. Confidential Information. You acknowledge and agree that you do not acquire any interest in the Confidential Information, other than the right to use it in developing and operating the Restaurant pursuant to this Agreement, and that the use or duplication of the Confidential Information in any other business constitutes an unfair method of competition. You acknowledge and agree that the Confidential Information is proprietary and is our trade secret and is disclosed to you solely on the condition that you: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (3) will not make unauthorized copies of any Confidential Information disclosed in written form; (4) will adopt and implement all reasonable procedures we direct to prevent unauthorized use or disclosure of the Confidential Information, including restrictions on disclosure to Restaurant employees; and (5) will sign a Confidentiality Agreement and will require the Operating Principal and other managers, employees and agents with access to Confidential Information to sign such an agreement in a form attached here as Exhibit E.

The restrictions on your disclosure and use of the Confidential Information will not apply to disclosure of Confidential Information in judicial or administrative proceedings to the extent you are legally compelled to disclose this information, if you use your best efforts to maintain the confidential treatment of the Confidential Information, and provide us the opportunity to obtain an appropriate protective order or other assurance satisfactory to us of confidential treatment for the information required to be so disclosed.

B. Improvements. You must fully and promptly disclose to us all ideas, concepts, products, recipes, process methods, techniques, improvements, additions and Customer Data relating to the development and/or operation of a Barrel House Restaurant or the System, or any new trade names, service marks or other commercial symbols, or associated logos relating to the operation of the Restaurant, or any advertising or promotion ideas related to the Restaurant (collectively, the "Improvements") that you, the Principal Owners or your employees or agents conceive or develop during the term of this Agreement. You and your Principal Owners, agents and employees acknowledge and agree that any Improvement is our property, and you and your Principal Owners, agents or employees must sign all documents necessary to evidence the assignment of the Improvement to us without any additional compensation. We may use the Improvement and disclose and/or license the Improvement for use by others. You must not introduce any

Improvement or any additions or modifications of or to the System into the Restaurant without our prior written consent.

13. COVENANTS

A. Organization. You and each Principal Owner represents and warrants to us, and agrees to the following:

1. You are organized and validly exist under the laws of the state where you were formed and are qualified and authorized to do business in the jurisdiction where the Protected Territory and Restaurant is located;

2. Your articles of incorporation, bylaws, operating agreement or other organizational documents (“Authorizing Documents”) at all times will provide that your business activities will be limited exclusively to the ownership and operation of the Restaurant, unless you otherwise obtain our written consent;

3. You have the power under the Authorizing Documents to sign this Agreement and comply with the provisions of this Agreement;

4. You must provide us copies of all Authorizing Documents and any other documents, agreements or resolutions we request in writing;

5. The names of all Principal Owners are accurately stated on the Guaranty attached hereto as Exhibit D; and

6. You will maintain a current schedule of the Principal Owners and their ownership interests (including the Principal Owners’ names, address and telephone numbers) at all times and will immediately provide us with an updated ownership schedule if there is any change in ownership.

B. Non-Solicitation of Customers. You covenant that, during the term of this Agreement, and for a period of two (2) years thereafter, you will not, directly or indirectly divert or attempt to divert any business, account or customer of the Restaurant or any other Barrel House Restaurants or the System to any Competing Business (as defined below).

C. Covenant Not to Compete During Term. You (and the Operating Principal and each other Principal Owner) will not, during the term of this Agreement, directly or as an employee, agent, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership or directly competing business: (i) divert or attempt to divert any business or customers of the Restaurant to any Competing Business or perform any act that would damage the goodwill associated with the Marks or the System; or (ii) own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in, or assist any person or entity engaged in any Competing Business (including any e-commerce or Internet-based business), except: (1) with our prior written consent; (2) the ownership of securities listed on a stock exchange or traded on the over-the-counter market that represent one percent (1%) or less of that class of securities; or (3) under a separate agreement between you and us.

D. Post-Term Covenant Not to Compete. You (and the Operating Principal and each other Principal Owner) will not, for a period of two (2) years after this Agreement expires or is terminated or the date on which you cease to operate the Restaurant, whichever is later, directly or as an employee, agent, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership or

corporation: (1) divert or attempt to divert any business or customers of the Restaurant to any Competing Business or perform any act that would damage the goodwill associated with the Marks or the System; (2) own, operate, lease, franchise, conduct, engage in, be connected with, having any interest in, or assist any person or entity engaged in any restaurant business which is located at the Restaurant site and offers menu items similar to those offered at the Restaurant; or (3) own, operate, lease, franchise, conduct, engage in, be connected with, having any interest in, or assist any person or entity engaged in any Competing Business that is located within a ten (10) mile radius of the former site of the Restaurant or any other then-existing Barrel House Restaurant; provided, however, that this Section 13(D) will not apply to: (i) other Barrel House Restaurants that you operate under separate Barrel House franchise agreements; or (ii) the ownership of securities listed on a stock exchange or traded on the over-the-counter market that represent one percent (1%) or less of that class of securities.

E. Competing Business. “Competing Business” means any business similar to the Barrel House restaurant, including an upscale tavern and/or upscale sports bar that distributes, sells or otherwise deals in, at wholesale or retail, upscale tavern food or other items similar to the Products, or any other business that may be confusingly similar to a Barrel House Restaurant.

F. Injunctive Relief. You agree that damages alone cannot adequately compensate us if there is a violation of any covenant in this Section in that injunctive relief is essential for our protection. You therefore agree that we may seek injunctive relief without posting any bond or security, in addition to the remedies that may be available to us at equity or law, if you or anyone acting on your behalf violates any covenant in this Section. The covenants stated in this Section will survive the termination or expiration of this Agreement.

14. ASSIGNMENT

A. By Us. This Agreement is fully assignable by us and benefits our successors and assigns. Any such assignment will require the assignee to fulfill our obligations under this Agreement. You acknowledge and agree that, following the effective date of any such assignment, you will look solely to the transferee or assignee, and not to us, for the performance of all obligations under this Agreement. Separately, we may assign or delegate to an affiliate or other third party certain of our obligations under this Agreement without assigning our interest in this Agreement. In such instance, we will remain the party ultimately responsible for the performance of such obligation(s).

B. Assignment to Entity; Assignment Involving Minority Interest. You (as an individual) may assign this Agreement to a corporation or a limited liability company that conducts no business other than the Restaurant (or other Barrel House Restaurants under franchise agreements with us), provided: (1) the Restaurant is actively managed by you or an operating manager approved by us; (2) you own at least seventy percent (70%) of the ownership interest in the corporation or limited liability company; (3) you and all Principal Owners of the assignee entity sign the Guaranty attached hereto as Exhibit D; (4) you provide us 15 days’ written notice before the proposed date of assignment of this Agreement to the corporation or limited liability company; and (5) you provide us a certified copy of the articles of incorporation, operation agreement, organizational documents, a list of all shareholders or members having beneficial ownership, reflecting their respective interest in the assignee entity. In addition, subject to Section 14(C) below (respecting related transactions), Principal Owners and other owners may transfer less than a “controlling interest” in you, provided you and all Principal Owners comply with: (i) subsections (3) and (4) of this Section 14(B), and (ii) subsections (1), (2), (8) and (9) of section 14(C) below. You will pay us a reduced, non-refundable transfer fee of Five Thousand Dollars (\$5,000) for an assignment under this Section 14(B), payable to us upon request to transfer the non-controlling interest.

C. Your Assignment or Sale of Substantially all of Your Assets. You understand that we have granted the Franchise under this Agreement in reliance upon the individual or collective character, aptitude, attitude, business ability and financial capacity of your Principal Owners. You (and your Principal Owners) will not transfer (whether voluntary or involuntary), assign or otherwise dispose of, in one or more transactions, your business, the Restaurant, substantially all or all of the assets of the Restaurant, this Agreement or any controlling interest in you (“controlling interest” to include a proposed transfer of fifty percent (50%) or more of the common (voting) stock in a corporation or of the ownership interest in a limited liability company or partnership) unless you obtain our prior written consent. We will not unreasonably withhold our consent to an assignment of this Agreement, provided you comply with all of the following conditions:

1. All of your accrued monetary obligations to us and our affiliates have been satisfied, and you otherwise are in good standing under this Agreement and any other agreement between you and us;

2. The transferee (or the Operating Principal of the transferee, if applicable) is approved by us and demonstrates to our satisfaction that they meet our managerial, financial and business standards for new Barrel House Restaurants, possess a good business reputation and credit rating, and have the aptitude and ability to conduct the franchised business. You understand that we may communicate directly with the transferee during the transfer process to respond to inquiries, as well as to ensure that the transferee meets our qualifications;

3. The transferee enters into a written agreement, in form satisfactory to us, assuming and agreeing to discharge all of your obligations and covenants under this Agreement for the remainder of the term under this Agreement, or, at our option, signs our then-current standard form of franchise agreement;

4. The transferee, the new Operating Principal, and at least two (2) other key management personnel successfully complete the initial training program required of new Barrel House franchisees;

5. If required, the lessor of the Restaurant premises consents to your assignment or sublease of the premises to the transferee;

6. You pay us a transfer fee equal to: (i) fifty percent (50%) of our then-current standard initial franchise fee applicable to new Barrel House Restaurants if you are assigning to a new Barrel House franchisee, or (ii) twenty-five percent (25%) of our then-current standard initial franchise fee applicable to new Barrel House Restaurants if you are assigning the Franchise to a then-existing Barrel House franchisee (each, the “Transfer Fee”). You must pay us Five Thousand Dollars (\$5,000) of the Transfer Fee when you notify us of your request to transfer. We will refund this amount to you, less any costs and expenses we incurred, if we do not accept the proposed transferee. You must pay the remaining amount of the Transfer Fee to us upon our acceptance of the proposed transferee, upon such time the entire Transfer Fee is non-refundable;

7. You (and each Principal Owner, if applicable) sign a general release, in a form and substance satisfactory to us, of any and all claims against us and our affiliates, officers, directors, employees and agents, except to the extent limited or prohibited by applicable law;

8. We approve the material provisions of the assignment or sale of assets which assignment or sale cannot permit you to retain a security interest in this Agreement or any other intangible asset; and

9. You (and each Principal Owners, if applicable) sign an agreement, in form satisfactory to us, in which you and each Principal Owner covenant to observe the post-termination covenant not to compete and all other applicable post-termination obligations.

We may expand upon, and provide more details related to, the conditions for transfer and our consent as described in this Section 14(C), and may do so in the Operations Manual or otherwise in writing.

D. Death or Disability. If the Operating Principal dies or is permanently disabled, the remaining Principal Owners must appoint (if necessary) a competent Operating Principal acceptable to us within a reasonable time, not to exceed thirty (30) days, from the date of death or permanent disability. The appointed Operating Principal must satisfactorily complete our designated training program. If an approved Operating Principal is not appointed within thirty (30) days after the Operating Principal's death or permanent disability, we may, but are not required to, immediately appoint an Operating Principal to maintain Restaurant operations on your behalf until an approved assignee can assume the management and operation of the Restaurant. Our appointment of an Operating Principal does not relieve you of your obligations, and we will not be liable for any debts, losses, costs or expenses you incur in operating the Restaurant or to any creditor of yours for any Products, materials, supplies or services purchased by the Restaurant while it is managed by our appointed manager. We may charge a reasonable fee for management services and may cease to provide management services at any time.

If the Operating Principal dies or is permanently disabled, his/her executor, administrator, or other personal representative must transfer his/her interest within a reasonable time, not to exceed twelve (12) months from the date of death or permanent disability, to a person we approve. Such transfers, including transfers by devise or inheritance, will be subject to conditions contained in Section 14(C) above.

E. Public or Private Offerings. Subject to Section 14(B) and 14(C) above, if you (or any of your Principal Owners) desire to raise or secure funds by the sale of securities (including common or preferred stock, bonds, debentures or general or limited partnership interests) in you or any affiliate of you, you agree to submit any written information to us before your inclusion of that information in any registration statement, prospectus or similar offering circular or memorandum and must obtain our written consent to the method of financing before any offering or sale of securities. Our written consent will not imply or represent our approval respecting the method of financing, the offering literature submitted to us or any other aspect of the offering. No information respecting us or any of our affiliates will be included in any securities disclosure document, unless we furnish the information in writing in response to your written request, which request will state the specific purpose for which the information is to be used. Should we, in our discretion, object to any reference to us or any of our affiliates in the offering literature or prospectus, the literature or prospectus will not be used unless and until our objections are withdrawn. We assume no responsibility for the offering.

The prospectus or other literature used in any offering must contain the following language in boldface type on the first textual page:

**“NEITHER BARREL HOUSE ENTERPRISES LLC NOR ANY OF ITS AFFILIATES:
(A) IS DIRECTLY OR INDIRECTLY THE ISSUER OF THE SECURITIES OFFERED,
(B) ASSUMES ANY RESPONSIBILITY RESPECTING THIS OFFERING AND/OR
THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED HEREIN,
OR (C) ENDORSES OR MAKES ANY RECOMMENDATION RESPECTING THE
INVESTMENT CONTEMPLATED BY THIS OFFERING.”**

F. Our Right of First Refusal. If you or your Principal Owners at any time desire to sell or assign for consideration the Franchise, the Restaurant, an ownership interest of fifty percent (50%) or more

ownership interest in you, or all or substantially all of your assets, you or your Principal Owners must obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and must deliver a copy of the offer to us. We have the right, exercisable by written notice delivered to you or your Principal Owners within thirty (30) days following receipt of the proposed offer, to purchase the interest in the Restaurant or ownership interest in you for the price and on terms contained in the offer. We may substitute cash for any non-cash form of payment proposed in the offer and will have a minimum of sixty (60) days to prepare for closing. If we do not exercise our right of first refusal, you or your Principal Owners may complete the sale to the proposed purchaser under the terms of the offer, provided you and the Principal Owners otherwise comply with this Section 14. If the sale to the proposed purchaser is not completed within one hundred twenty (120) days after delivery of the offer to us, or if there is a material change in the terms of the sale, we again will have the right of first refusal.

G. Guaranty. All of your Principal Owners will sign the Guaranty and Assumption Agreement in the form attached to this Agreement as Exhibit D (the “Guaranty Agreement”). We may also require the spouse of any Principal Owner to sign the Guaranty Agreement. Any person or entity that at any time after the date of this Agreement becomes a Principal Owner of yours under the provisions of this Section 14 or otherwise will, as a condition of becoming a Principal Owner, sign the Guaranty Agreement.

15. TERMINATION RIGHTS

A. Your Termination of Franchise Agreement. You may terminate this Agreement if we violate any material obligation of ours to you and fail to cure such violation within sixty (60) days after our receipt of written notice from you; provided, however, that you are in substantial compliance with the Agreement at the time of giving such notice of termination. Your written notice will identify the violation and demand that it be cured.

B. Our Termination of Franchise Agreement. You will be in default, and we may at our option terminate, this Agreement as provided herein, if:

1. the Operating Principal fails to satisfactorily complete the initial training program or you fail to open and commence full operations of the Restaurant at such time as provided in this Agreement;
2. you violate any material provision or obligation of this Agreement;
3. you or any of your managers, directors, officers or any Principal Owner makes a material misrepresentation or omission in the application for the Franchise;
4. any of your managers (including the Operating Principal), directors, officers or any Principal Owner is convicted of, or pleads guilty to or no contest to a felony, a crime involving moral turpitude, or any other crime or offense that we reasonably believe will injure the System, the Marks or the goodwill associated therewith, or if we have proof that such person has committed such a felony, crime or offense;
5. you fail to conform to the material requirements of the System or the material standards of uniformity and quality for the Products and services as described in the Operations Manual or as we have established under the System;
6. you fail to timely pay Royalty Fees or Marketing Fees or any other obligations or liabilities due and owing to us or our affiliates, other Barrel House Restaurants or suppliers we approve as a source for required items, or fail to timely pay any advertising cooperative obligations;

7. you are insolvent within the meaning of any applicable state or federal law;
8. you make an assignment for the benefit of creditors or enter into any similar arrangement for the disposition of your assets for the benefit of creditors;
9. you voluntarily or otherwise “abandon” (as defined below) the Restaurant;
10. you are involved in any act or conduct which materially impairs or otherwise is prejudicial to the goodwill associated with the name “Barrel House” or any of the Marks or the System;
11. you or a Principal Owner makes an unauthorized assignment or transfer of this Agreement, the Restaurant or an ownership interest in you;
12. the operation, maintenance or construction of the Restaurant results in a threat or danger to the public health or safety;
13. you violate any federal, state or local government health code in connection with the operation of the Restaurant;
14. your lease for the Restaurant premises expires or is terminated for any reason (unless, through no fault of you, the lessor of the premises in which the Restaurant is located refuses to renew your lease and you relocate within the Protected Territory to a site we approve within ninety (90) days thereafter);
15. the result of an audit discloses an understatement of Gross Sales of two percent (2%) or more;
16. your liquor license for the Restaurant is revoked or suspended; or
17. you willfully and materially falsify any report, statement, or other written data furnished to us either during the franchise application process or after you are awarded a franchise.

Any report submitted under Section 10(A) will be conclusively deemed to be materially false if it understates Gross Sales by more than five percent (5%). The term “abandon” means your failure to operate the Restaurant during regular business hours for a period of three (3) consecutive days or ten (10) or more days in a twelve-month period without our prior written consent unless such failure is due to an event of “*force majeure*” as further described in Section 19(I) below.

C. Procedure. We may terminate this Agreement immediately upon delivery of written notice to you, with no opportunity to cure, if the termination results from any of the following: (1) you fail to comply with one or more material requirements of this Agreement on three (3) separate occasions within any twelve (12) month period; (2) the nature of your breach makes it not curable; (3) you willfully and repeatedly deceive customers relative to the source, nature or quality of goods sold; or (4) any default under items (3), (4), (7), (8), (9), (10), (11), (12), (14), or (17) in Section 15(B) above.

You will have seventy-two (72) hours, or such longer period as applicable law may require, after you receive from us a written Notice of Termination to remedy any default under item (13) in Section 15(B) above and to provide evidence thereof to us. If you fail to correct the alleged default within that time, this Agreement will terminate without further notice to you, effective immediately when the seventy-two (72) hour period expires, or such longer period as applicable law may require.

You will have ten (10) days after your receipt from us of a written Notice of Termination, or such longer period as applicable law may require, to remedy any default under items (6) and (16) in Section 15(B) above and to provide evidence thereof to us. If you fail to correct the alleged default within that time, this Agreement will terminate without further notice to you, effective immediately when the five (5) day period expires, or such longer period as applicable law may require.

Except as described above, you will have thirty (30) days, or such longer period as applicable law may require, after your receipt from us of a written Notice of Termination within which to remedy any default hereunder, and to provide evidence thereof to us. If you fail to correct the alleged default within that time, this Agreement will terminate without further notice to you effective immediately when the thirty (30) day period, or such longer period as applicable law may require, expires.

D. Management of Restaurant While You are in Default. In addition to our termination rights described in Sections 15(B) and 15(C) above, while you are in default of this Agreement, we may, but are not required to, manage, or designate a third party to manage, the Restaurant on your behalf. Our, or our designee's, management of the Restaurant does not relieve you of your obligations and neither we nor our designee will be liable for any debts, losses, costs or expenses incurred in operating the Restaurant or to any of your creditors for any materials supplies or services purchased by the Restaurant while we, or our designee, manage it. We, or our designee, may charge you a fee for management services and may cease providing management services at any time.

E. Applicable Law. If the provisions of this Section 15 are inconsistent with applicable law, the applicable law will apply.

16. YOUR OBLIGATIONS UPON TERMINATION OR EXPIRATION

A. Post-Term Duties. If this Agreement expires or is terminated for any reason, you will:

1. immediately cease operation of the Restaurant and using the Marks as well as any confusingly similar trademarks or service marks;
2. within ten (10) days after termination, pay all amounts due and owing to us or our affiliates, including all Royalty Fees, Marketing Fees and accrued interest due under this Agreement;
3. discontinue using, and return to us by priority United States mail with a tracking number, any hard copies of, the Operations Manual and any other manuals, advertising materials, and all other printed materials relating to the operation of the Franchise;
4. assign to us or, at our discretion, disconnect the telephone number for the Restaurant. You acknowledge that we have the sole right to and interest in all telephone numbers and directory listings associated with the Marks, and you authorize us, and appoint us as your attorney-in-fact, to direct the telephone company and all listing agencies to transfer such numbers and listings to us;
5. remove from the Restaurant premises all signs, posters, fixtures, decals, wall coverings and other materials that are distinctive of a Barrel House Restaurant or bear the name "Barrel House" or other Marks;
6. comply with all post-termination obligations under any software license agreement, including the return of all materials relating to the Proprietary Software;

7. take all necessary action to cancel all fictitious or assumed name or equivalent registrations relating to your use of any of the Marks;

8. immediately cease using Confidential Information (including all Customer Data) and return to us all documents in your possession that contain Confidential Information;

9. at our option, we will purchase your inventory of Products in good and saleable condition at your actual cost less a 30% stocking fee and you will return to us any other remaining Products at no cost to us; and

10. comply with all other applicable provisions of this Agreement, including the non-compete provisions.

Upon termination or expiration of this Franchise Agreement for any reason, your right to use the name “Barrel House” and the other Marks and the System will immediately terminate and you (and the Principal Owners) will not in any way associate yourself/themselves as being associated with us. If you fail to immediately remove all signs and other materials bearing the Marks, we may do so at your expense.

B. Redecoration. If this Agreement expires or is terminated for any reason, and you either remain in possession of the premises of the former Restaurant to operate a separate business not in violation of Section 13 above or enter into an agreement with a third party to allow such third party to directly operate a business at the premises of the former Restaurant, you will, at your expense, modify both the exterior and interior appearance of the business premises so that they will be easily distinguished from the standard appearance of Barrel House Restaurants. At a minimum, such changes and modifications to the premises will include: (1) repainting the premises with totally different colors; (2) removing all signs and other materials bearing the name “Barrel House” and other Marks; (3) removing from the premises all fixtures which are indicative of Barrel House Restaurants; (4) discontinuing use of the approved employee uniforms and refraining from using any uniforms which are confusingly similar; (5) discontinuing use of all packaging and Confidential Information regarding the operation of the Restaurant; and (6) taking such other action, at your expense, as we may reasonably require. If you fail to immediately initiate modifications to the premises of the former Restaurant or complete such modifications with any period of time we deem appropriate, you agree that we or our designated agents may enter the premises of the former Restaurant to make such modifications, at your risk and expense, without responsibility for any actual or consequential damages to your property or others, and without liability for trespass or other tort or criminal act.

C. Our Option to Purchase Restaurant. If this Agreement expires or is terminated for any reason (other than our fault), we have the option, upon thirty (30) days’ written notice from the date of expiration or termination, to purchase from you all the tangible and intangible assets relating to the Restaurant, including the Restaurant premises if you own the Restaurant premises (excluding any unsalable inventory, cash, short-term investments and accounts receivable) (collectively, the “Purchased Assets”) and to an assignment of your lease for (1) the Restaurant premises (or, if an assignment is prohibited, a sublease for the full remaining term under the same provisions as your lease) and (2) any other tangible leased assets used in operating the Restaurant. If the Landlord is an affiliate of you (controlling, controlled by or under common control with you) we will have the right to assume the lease on terms generally consistent with then-current market rates for space in the immediate area surrounding the Restaurant location. We may assign to a third party this option to purchase and assignment of leases separate and apart from the remainder of this Agreement.

The purchase price for the Restaurant will be the fair market value of the Purchased Assets; provided that: (1) we may exclude from the Purchased Assets any products or other items that were not acquired in compliance with this Agreement; and (2) we may exclude from fair market value any provision

for goodwill or similar value attributable to intangible property (such as the Marks, the Proprietary Software and Confidential Information). If the parties cannot agree on fair market value within a reasonable time, we will designate an independent appraiser to determine the fair market value of the Purchased Assets. The determination of such appraiser will be binding on the parties hereto, and the costs of such appraisal will be divided equally between you and us. The purchase price, as determined above, will be paid in cash at the closing of the purchase, which will occur within a reasonable time, not to exceed sixty (60) days, after the fair market value is determined. At the closing, you will deliver documents transferring good and merchantable title to the assets purchased, free and clear of all liens, encumbrances and liabilities to us or our designee and such other documents we may reasonably request to permit us to operate the Restaurant without interruption. We may set off against and reduce the purchase price by all amounts you owe to us or any of our affiliates. If we exercise our option to purchase the Restaurant, we may, pending the closing, appoint a manager to maintain Restaurant operations.

If we assume the lease for the Restaurant under this Section, you will pay, remove or satisfy any liens or other encumbrances on your leasehold interest and will pay in full all amounts due the lessor under the lease existing at or prior to assumption. We are not liable for any obligation you incur before the date we assume the lease.

D. Continuing Obligations. All obligations of us and you which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect following its expiration or termination and until they are satisfied or expire.

17. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION

A. Relationship of the Parties. We and you are independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venture or employee of the other. Neither party will independently obligate the other to any third parties or represent any right to do so. This Agreement does not reflect or create a fiduciary relationship or a relationship of special trust or confidence. You must conspicuously identify yourself at the premises of the Restaurant and in all dealings with customers, lessors, contractors, suppliers, public officials and others as the owner of the Restaurant under a franchise agreement from us, and must place other notices of independent ownership on signs, forms, stationery, advertising and other materials as we require.

B. Your Indemnification Obligations. You agree to indemnify and hold us and our subsidiaries, affiliates, stockholders, members, directors, officers, employees and agents harmless against, and to reimburse us or them for, any loss, liability or damages arising out of or relating to your ownership or operation of the Restaurant, the relationship between the parties or your breach of this Agreement, and all reasonable costs of defending any claim brought against us or any of them or any action in which us or any of them is named as a party (including claims raised by you), including reasonable arbitrators', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration or alternative dispute resolution, unless the loss, liability, damage or cost is solely due to our breach of this Agreement, gross negligence or willful misconduct. You must pay all losses, liability or damages we incur pursuant to your obligations of indemnity under this Section 17(B) regardless of any settlement, actions or defense we undertake or the subsequent success or failure of any settlement, actions or defense. Further, you agree to give us immediate notice of any such action, proceeding, demand or investigation brought against you or the Restaurant. We may, at our option, designate counsel, at your expense, to defend or settle such action, proceeding, demand or investigation brought against you or the Restaurant. This obligation does not diminish your indemnification obligations under this Section 17(B).

C. Our Indemnification Obligations. We agree to indemnify and hold you and your officers, directors and agents harmless against, and to reimburse you and them for, any loss, liability or damage solely arising from or relating to our breach of this Agreement, gross negligence or willful misconduct, and all reasonable costs of defending any claim brought against you or them or any action in which you or they are named as a party (including reasonable attorneys' fees).

D. Survival. The indemnities and assumptions of liabilities and obligations continue in full force and effect after the expiration or termination of this Agreement.

18. DISPUTE RESOLUTION

A. Mediation. Except as otherwise stated in this Section 18, the parties agree to submit any claim, controversy or dispute arising out of or relating to this Agreement (and attachments) or the relationship created by this Agreement to non-binding mediation before bringing such claim, controversy or dispute to arbitration or to a court. The mediation will be conducted either through an individual mediator or a mediator appointed by a mediation services organization, experienced in the mediation of disputes between you and us, agreed upon by the parties. If the parties do not agree upon a mediator or mediation services organization within fifteen (15) days after either party has notified the other of its desire to seek mediation, the dispute will be mediated by the American Arbitration Association pursuant to its rules governing mediation, in Davenport, Iowa. The costs and expenses of mediation, including compensation of the mediator, will be borne equally by the parties. If the parties cannot resolve the claim, controversy or dispute within sixty (60) days after conferring with the mediator, either party may submit such claim, controversy or dispute to the appropriate court as described in Section 18(B) below. We may bring an action under the applicable provisions of this Section 18 without first submitting the action to mediation under this Section 18(A): (1) for injunctive relief, (2) involving the possession or disposition of, or other relief relating to, real property; or (3) for monies you owe us.

B. Arbitration. Except to the extent we elect to enforce the provisions of this Agreement by injunction as provided in Section 18(C) below, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud in the arbitrability of any matter) that have not been settled by or are not otherwise subject to mediation as described in Section 18(A) above will be resolved by arbitration on an individual basis under the authority of the Federal Arbitration Act in Davenport, Iowa. The arbitrator(s) will have a minimum of five (5) years' experience in franchising or distribution law and will have the right to award specific performance of this Agreement. The proceedings will be conducted under the Commercial Arbitration Rules of the American Arbitration Association, or the rules of such other arbitration services organization as the parties otherwise may agree upon in writing, to the extent such rules are not inconsistent with the provisions of this arbitration provision or the Federal Arbitration Act. The decision of the arbitrator(s) will be final and binding on all parties; provided, however, the arbitrator(s) may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; (2) assess punitive or exemplary damages; or (3) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance we establish. Any arbitration proceeding will be limited to controversies between you and us, and will not be expanded to include any other Barrel House franchisee or include any class action claims. This Section 18 will survive termination or nonrenewal of this Agreement under any circumstances. Judgment upon the award of arbitrator(s) may be entered in any court having jurisdiction thereof. During any arbitration proceeding, we and you will fully perform our respective obligations under this Agreement.

C. Injunctive Relief. Notwithstanding Sections 18(A) and (B) above, you recognize that a single franchisee's failure to comply with the terms of its franchise agreement could cause irreparable damage to us and/or to some or all other Barrel House franchisees. Therefore, if you breach or threaten to

breach any of the terms of this Agreement, we will be entitled to an injunction restraining such breach and/or a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining such equitable relief until such time as a final and binding determination is made by the arbitrators.

D. Governing Law. Subject to our rights under federal trademark laws and the parties' rights under the Federal Arbitration Act, this Agreement will be governed by and construed under the procedural and substantive laws of the state of Iowa, without regard to any conflict of laws principles of such state. You waive, to the fullest extent permitted by law, the rights and protections that might be provided through any state franchise or business opportunity laws, other than those of the state in which the Franchised Business is located.

D. Attorneys' Fees. The non-prevailing party will pay all costs and expenses, including reasonable attorneys' fees, the prevailing party incurs in any action brought to enforce any provision of this Agreement or to enjoin any violation of this Agreement.

E. Claims. No party may not assert any claim or cause of action against the other party or parties relating to this Agreement, the Restaurant, or your Franchised Business after the shorter period of the applicable statute of limitations or one year following the effective date of termination of this Agreement.

F. Venue. Any claims, controversies or disputes arising out of or related to this Agreement that are not subject to arbitration as provided above, will be brought exclusively in the Federal District Court for the District of Iowa or in Scott County District Court in Davenport, Iowa. Franchisor also has the right to file any such suit against Franchisee in the federal or state court where the Restaurant is located. Each of Franchisor and Franchisee irrevocably consents to the jurisdiction of such courts and waive all rights to challenge personal jurisdiction and venue. The provisions of this Section 18(F) will survive the termination of this Agreement.

19. ENFORCEMENT

A. Severability. All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or non-renewal of this Agreement than is required, or the taking of some other action not required, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by us are invalid or unenforceable, the prior notice and/or other action required by law or rule will be substituted for the comparable provisions.

B. Waiver of Obligations. Our waiver of any breach by you, or our delay or failure to enforce any provision of this Agreement, will not be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce our rights respecting that or any other breach.

C. Rights of Parties are Cumulative. The rights of you and us are cumulative and no exercise or enforcement by either party of any right or remedy precludes the exercise or enforcement by such party of any other right or remedy to which such party is entitled by law or equity to enforce.

D. Binding Effect. This Agreement is binding upon the parties and their respective executors, administrators, heirs, assigns, and successors in interest, and will not be modified except by written agreement signed by both you and us. Except as provided above, this Agreement is not intended, and will

not be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

E. References. If you consist of two or more individuals, such individuals will be jointly and severally liable, and references to you in this Agreement will include all such individuals.

F. Interpretation of Rights and Obligations. The following provisions will apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement and the relationship between the parties:

1. Our Rights. Whenever this Agreement provides that we have or reserve (retain) a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop and change the System in any manner that is not specifically precluded by the provisions of this Agreement.

2. Our Reasonable Business Judgment. Whenever we reserve discretion in a particular area or where we agree or are required to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise "reasonable business judgment" in making our decision or exercising our rights. A decision or action by us will be deemed to be the result of "reasonable business judgment," even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended to promote or benefit the System generally even if the decision or action also promotes a financial or other individual interest of ours. Examples of items that will promote or benefit the System include enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the System. Neither you nor any third party (including a trier of fact) will substitute their judgment for our reasonable business judgment.

G. **WAIVER OF PUNITIVE DAMAGES. YOU AND WE AND OUR AFFILIATES AGREE TO WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO OR A CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF ANY DISPUTE BETWEEN US, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY US.**

H. **WAIVER OF JURY TRIAL. YOU AND WE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.**

I. Force Majeure. If any party fails to perform any obligation under this Agreement due to a cause beyond the control of and without the negligence of such party, such failure will not be deemed a breach of this Agreement, provided such party uses reasonable best efforts to perform such obligations as soon as possible under the circumstances. Such causes include strikes, wars, riots, civil commotion, and acts of government, except as may be specifically provided for elsewhere in this Agreement.

J. Notice of Potential Profit. We advise you that we and/or our affiliates periodically may make available to you goods, Products and/or services for use in the Restaurant on the sale of which we and/or our affiliates may make a profit. We further advise you that we and our affiliates periodically may receive consideration from suppliers and manufacturers respecting sales of goods, Products or services to you or in consideration for services provided or rights license to such persons. You agree that we and our affiliates will be entitled to such profits and consideration.

K. Entire Agreement. The “Introduction” section, the exhibit(s) to this Agreement, and that certain Disclosure Acknowledgment Agreement signed contemporaneously by you are a part of this Agreement, which represents the entire agreement of the parties, and there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement. Nothing in the Agreement is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

20. NOTICES

All written notices and reports permitted or required to be delivered by the provisions of this Agreement are deemed so delivered at the time delivered by hand, one (1) business day after sent by a recognized overnight delivery service which requires a written receipt, or three (3) business days after placed in the U.S. Mail by registered or certified mail, return receipt requested, postage prepaid and addressed to the party to be notified at the address stated herein or at such other address as may have been designated in writing to the other party.

21. ACKNOWLEDGEMENTS

A. Success of Franchised Business. The success of the business venture you intend to undertake under this Agreement is speculative and depends, to a large extent, upon your (or the Principal Owner’s) ability as an independent businessman, and your active participation in the daily affairs of the Restaurant as well as other factors. We do not make any representation or warranty, express or implied, as to the potential success of the business venture.

B. Independent Investigation. You acknowledge that you have entered into this Agreement after making an independent investigation of our operations and not upon any representation as to gross revenues, volume, potential earnings or profits which you might be expected to realize, nor has anyone made any other representation, which is not expressly stated herein, to induce you to accept this Franchise and sign this Agreement.

C. Receipt of Documents. Except for filling in the blank provisions and changes made as a result of negotiations that you initiated, you acknowledge that you received a copy of the complete Franchise Agreement, and exhibits attached hereto, at least seven (7) calendar days before the date on which this Agreement was executed. You further acknowledge that you received the disclosure document required by the trade regulation rule of the Federal Trade Commission entitled “Franchise Disclosure Document” at least fourteen (14) calendar days prior to the date on which this Agreement was executed. You represent that you have read this Agreement in its entirety and that you have been given the opportunity to clarify any provisions that you did not understand and to consult with any attorney or other professional advisor. You further represent that you understand the provisions of this Agreement and agree to be bound.

D. Other Franchises. You acknowledge that other Barrel House Restaurants have or will be granted franchises at different times and in different situations, and further acknowledge that the provisions of such franchises may vary substantially from those contained in this Agreement.

The parties have signed this Agreement on the date stated in the first paragraph.

WE:

BARREL HOUSE ENTERPRISES LLC

By _____
Its _____

YOU:

Name of corporation or limited liability company

By _____
Its _____

**EXHIBIT A
TO FRANCHISE AGREEMENT**

RESTAURANT LOCATION AND PROTECTED TERRITORY

This Exhibit is attached to and is an integral part of the Barrel House Franchise Agreement dated _____, 20____ (the "Franchise Agreement"), between you and us.

1. Restaurant Location. We and you agree that the Restaurant will be located at the following premises: _____ . You acknowledge that our consent to a proposed location is not a representation or warranty of any kind by us or our affiliates as to the suitability of the proposed location for a Barrel House Restaurant.

2. Protected Territory. The Protected Territory will be the following: _____
_____.

3. Restaurant Opening. You agree to complete the development and open the Restaurant for business within _____ months after the date first stated above.

4. Defined Terms. All capitalized terms contained in this Exhibit not defined herein will have the same meaning as provided in the Franchise Agreement.

WE:

BARREL HOUSE ENTERPRISES LLC

By _____
Its _____

YOU:

Name of corporation or limited liability company

By _____
Its _____

**EXHIBIT B
TO FRANCHISE AGREEMENT**

RESTAURANT LOCATION GENERAL AREA

This Exhibit is attached to and is an integral part of the Barrel House Franchise Agreement dated _____, 20____ (the "Franchise Agreement"), between you and us.

1. Area for Restaurant Location. Within six (6) months after the date of the Franchise Agreement, you will select and obtain our consent to a location with the provisions of this Exhibit within the following described geographical area (the "Area"): _____

2. Consent to Location and Restaurant Opening. To obtain our consent to the proposed Restaurant premises, you must deliver to us a complete site report (containing information we require) for the location at which you propose to establish and operate the Restaurant and which you reasonably believe will satisfy the standardized site selection criteria we have established. The proposed location is subject to our prior written consent, which will not be unreasonably withheld. In evaluating the proposed location, we will consider matters we deem material, including demographic characteristics of the proposed location, traffic patterns, parking, the predominant character of the neighborhood, the proximity to other businesses, including other Barrel House Restaurants, and other commercial characteristics, the purchase price or rental obligations and other lease terms for the proposed location, and the size of premises, appearance and other physical characteristics. Within thirty (30) days following our receipt of the complete site report and other materials we request, we will consent to or reject (in writing) the location you propose for the Restaurant.

YOU ACKNOWLEDGE AND AGREE THAT OUR CONSENT TO A PROPOSED LOCATION DOES NOT REPRESENT A WARRANTY OR REPRESENTATION OF ANY KIND, EXPRESSED OR IMPLIED, AS TO THE SUITABILITY OF THE PROPOSED LOCATION FOR A BARREL HOUSE RESTAURANT.

You agree to complete the development and open the Restaurant for business by _____, but no later than nine (9) months following the date of the Franchise Agreement.

3. Termination of Franchise Agreement. We have the right to terminate the Franchise Agreement, effective upon delivery of notice of termination to you, if you fail to obtain our consent to a location for the Restaurant within nine (9) months after the date of the Franchise Agreement.

4. Defined Terms. All capitalized terms contained in this Exhibit and not defined in this Exhibit will have the same meaning as provided in the Franchise Agreement.

WE:

BARREL HOUSE ENTERPRISES LLC

By _____
Its _____

YOU:

Name of corporation or limited liability company

By _____
Its _____

**EXHIBIT C
TO FRANCHISE AGREEMENT
RESTAURANT LEASE ADDENDUM**

LEASE ADDENDUM

This Lease Addendum is entered into as of the date of the Lease Agreement by and between _____ (“Landlord”) and _____ (“Tenant”).

Landlord and Tenant are parties to that certain Lease of even date (the “Lease”) covering the premises located at _____ (the “Leased Premises”), which Tenant will use to operate a Barrel House Restaurant under a Franchise Agreement (the “Franchise Agreement”) between Tenant and Barrel House Enterprises LLC (“Franchisor”). Landlord and Tenant desire to amend the Lease to protect the various interests of Franchisor.

In consideration of the foregoing and the promises contained in the Lease, the parties agree as follows:

1. Permitted Use. Landlord and Tenant agree that so long as the Franchise Agreement remains in effect, Tenant may use the Leased Premises only for a Barrel House Restaurant and Tenant may offer for sale and sell at the Leased Premises only those products and services which Franchisor approves. Landlord further agrees that so long as the Lease is in effect, it will not permit any tenant within the same multi-tenant mall or building to operate any business similar to the Barrel House restaurant, including an upscale tavern and/or upscale sports bar that distributes, sells or otherwise deals in, at wholesale or retail, upscale tavern food or other items similar to the products offered by Tenant, or any other business that may be confusingly similar to a Barrel House Restaurant, other than businesses in existence in the mall or building as of the effective date of the Lease or upon the written consent of Franchisor and Tenant.

2. Notice of Default. Landlord will provide Franchisor, by certified US mail or a recognized overnight delivery service at the address provided in Section 8 below, a minimum thirty (30) day notice of any default under the Lease before Landlord initiates any action to terminate the Lease or exercise any remedy for such default.

3. Cure. Either Tenant or Franchisor may cure defaults under the Lease and Landlord will accept performance of obligations due under the Lease, as specified in the Lease, by either Franchisor or Tenant. Franchisor will not, however, be under any obligation to cure any default and nothing herein will require Franchisor at any time to comply with or take any action under the provisions of the Lease.

4. Rights of Franchisor After Cure. If Franchisor commences cure of any default under the Lease within the thirty (30) day notice period described in Section 2 above, and if Franchisor thereafter diligently completes cure, Franchisor may, but will not be obligated to, give notice to Landlord and become Tenant under the Lease, in which event Landlord will not be entitled to terminate the Lease.

5. Assignment and Renewal. Landlord consents to an assignment or transfer of Tenant’s rights under the Lease to Franchisor at any time during the term of the Lease; provided that such assignment or transfer is subject to Franchisor’s written agreement to accept such assignment or transfer. Landlord will give Franchisor notice of expiration of the term of the Lease at least three (3) months in advance thereof and grant Franchisor the right, but not the obligation, to exercise any then-existing renewal rights under the Lease.

6. Right of Entry and Subordination. Landlord will give Franchisor access to the Leased Premises at reasonable times on not less than twenty-four (24) hours’ notice (or such shorter notice as may

be reasonable when circumstances dictate) either to inspect the Leased Premises for compliance with Franchisor's requirements, to remove from the Leased Premises any items bearing Franchisor's marks or logos or to take other action permissible under the Agreements between Tenant and Franchisor. Landlord specifically subordinates any lien it may have in such items to Franchisor's rights as licensor of the marks or logos displayed on items.

7. Vacating Premises. Upon vacating the Leased Premises, or termination of the Franchise Agreement or Lease (whichever occurs first), Tenant must remove all signs and materials bearing any of Franchisor's marks or logos.

8. Notices. Any notices to Franchisor hereunder will be sent to:

Barrel House Enterprises LLC
4401 West Locust Street
Davenport, Iowa 52804

9. Benefit. Landlord and Tenant acknowledge that they enter into this Agreement for the express benefit of Franchisor and that Franchisor is an intended beneficiary hereof.

10. Supremacy. This Addendum shall control and supersede any inconsistent provision of the Lease.

The parties have signed this Agreement the day and year first above written.

LANDLORD:

TENANT:

By: _____

Title: _____

By: _____

Title: _____

**EXHIBIT D
TO FRANCHISE AGREEMENT**

GUARANTY AND ASSUMPTION OF OBLIGATIONS

In consideration of the execution of that certain Franchise Agreement of even date (the "Agreement") by Barrel House Enterprises LLC ("we" or "us"), each of the undersigned (a "Guarantor") personally and unconditionally guarantees to us, and our successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement that _____ ("you") will timely pay and perform each and every undertaking, agreement and covenant stated in the Agreement; and agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement.

Each of the undersigned waives: (1) acceptance and notice of acceptance by us of the foregoing undertaking; (2) notice of demand for payment of any indebtedness; (3) protest and notice of default to any party respecting the indebtedness; (4) any right he may have to require that an action be brought against you or any other person as a condition of liability.

Each Guarantor consents and agrees that:

(1) Guarantor's liability under this undertaking will be direct and independent of the liability of, and will be joint and several with, you and the other Guarantors of you;

(2) Guarantor will make any payment or perform any obligation required under the Franchise Agreement upon demand if you fail to do so;

(3) Guarantor's liability hereunder will not be diminished or relieved by bankruptcy, insolvency or reorganization of you or any assignee or successor;

(4) Guarantor's liability will not be diminished, relieved or otherwise affected by any extension of time or credit which we may grant to you, including the acceptance of any partial payment or performance, or the compromise or release of any claims;

(5) We may proceed against Guarantor and you jointly and severally, or we may, at our option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against you or any other Guarantor; and

(6) Guarantor will pay all reasonable attorneys' fees and all costs and other expenses we incur in enforcing this Guaranty against Guarantor or any negotiations relative to the obligations hereby guaranteed.

Each of the undersigned has signed this Guaranty as of the same day and year as the Agreement was executed.

GUARANTOR(S)

PERCENTAGE OWNERSHIP IN YOU

**EXHIBIT E
TO THE FRANCHISE AGREEMENT**

**FORM CONFIDENTIALITY AGREEMENT
(Operating Principal and Certain Employees)**

In consideration of my being a _____ [Title] _____ of _____ [Franchisee] _____ (“**Franchisee**”), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree that:

1. Pursuant to a Franchise Agreement dated _____, 20__ (the “**Franchise Agreement**”), Franchisee has acquired the right and franchise from Barrel House Enterprises LLC (the “**Company**”) to establish and operate a Barrel House franchised business (the “**Franchised Business**”) and the right to use in the operation of the Franchised Business the Company’s trade names, service marks, trademarks, logos, emblems, and indicia of origin (the “**Marks**”), as they may be changed, improved, and further developed from time to time in the Company’s sole discretion, only at the authorized and accepted location(s) set forth in the Franchise Agreement.

2. The Company, as the result of the expenditure of time, skill, effort, and resources, has developed and owns a distinctive format and system (the “**System**”) relating to the establishment and operation of the Franchised Business that offers products and services authorized to be offered, sold, or provided under the Marks and the System pursuant to the Franchise Agreement. The Company possesses certain proprietary and confidential information relating to the operation of the System, which includes certain proprietary trade secrets, methods, techniques, formats, specifications, systems, software, procedures, methods of business practices and management, sales and promotional techniques, and knowledge of, and experience in, the operation of the Franchised Business (the “**Confidential Information**”).

3. Any and all information, knowledge, know-how, and techniques which the Company or Franchisee specifically designates as confidential shall also be deemed to be Confidential Information for purposes of this Agreement.

4. As _____ [Title] _____ of the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me training programs, the Company’s confidential manual, and other general assistance during the term of the Franchise Agreement.

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

6. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I will hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as _____ [Title] _____ of the Franchisee. I will not to directly or indirectly use or disclose any Confidential Information for the benefit of anyone other than the Franchisee or Company either during my course of employment with the Franchisee or after my employment with the Franchisee ends, regardless of the reason for the separation of employment. I recognize and agree that the Confidential Information constitutes a valuable asset of the Company, and I will act in such a manner as to prevent its disclosure and use by any person unless such use is for the benefit of the Franchisee. I understand that my obligations under this paragraph are unconditional and will not be excused by any conduct on the

part of the Franchisee or Company, except prior voluntary public disclosure by the Company of the information.

7. The Company is a third-party beneficiary of this Agreement and may enforce it solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of an injunction preventing me from violating this Agreement, and I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of, this Agreement.

8. This Agreement shall be construed under the laws of the state of [State], without regard to the application of its conflict of law rules. The only way this Agreement can be changed is in writing signed by both the Franchisee and me.

Signature

Name

Address

Title

ACKNOWLEDGED BY FRANCHISEE

By: _____

Name: _____

Title: _____

EXHIBIT C

LIST OF STATE ADMINISTRATORS; AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
California	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation	320 West 4 th Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275-2677
Hawaii (State Administrator)	Commissioner of Securities Dept. of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch	335 Merchant Street Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E018 Indianapolis, IN 46204
Maryland (State Administrator)	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Attorney General Consumer Protection Division	G. Mennen Williams Building, 1 st Floor 525 West Ottawa Street Lansing, MI 48933
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7 th Place East, Suite 280 St. Paul, MN 55101-2198
New York (State Administrator)	NYS Department of Law Investor Protection Bureau	28 Liberty Street, 21 st Floor New York, NY 10005 212-416-8236
New York (Agent)	New York Department of State	One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 518-473-2492
North Dakota	Securities Commissioner North Dakota Securities Department	600 East Boulevard Avenue State Capitol, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue John O. Pastore Complex – Building 68-2 Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Insurance – Securities Regulation	124 S. Euclid, Suite 104 Pierre, SD 57501
Virginia (State Administrator)	State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9 th Floor Richmond, VA 23219 804-371-9051
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630
Washington	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501 360-902-8760
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705

EXHIBIT D
STATE ADDENDA

ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§705/1 – 705/44 applies, the terms of this Addendum apply.

Item 5, Initial Fees:

Payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations and franchisee is open for business.

The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

Item 17, Additional Disclosures:

The following statements are added to Item 17:

The Illinois Franchise Disclosure Act governs the Franchise Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

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.

Your rights upon termination and non-renewal of a franchise agreement are set forth in section 19 and 20 of the Illinois Franchise Disclosure Act.

Exhibit H, Additional Disclosure:

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.

ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§705/1 – 705/44 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Section 4(A) of the Franchise Agreement is amended to provide that payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations and franchisee is open for business.

The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

The Illinois Franchise Disclosure Act governs the Franchise Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

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.

Your rights upon termination and non-renewal of a franchise agreement are set forth in section 19 and 20 of the Illinois Franchise Disclosure Act.

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

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

The undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:
BARREL HOUSE ENTERPRISES, LLC

FRANCHISEE:

By: _____
Its: _____
Date: _____

By: _____
Its: _____
Date: _____

MINNESOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

Item 5, Initial Fees:

Payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations and franchisee is open for business.

State Cover Page and Item 17, Additional Disclosures:

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of Minnesota, requiring waiver of a jury trial or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document shall abrogate or reduce any of your rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required.

Item 13, Additional Disclosures:

The Minnesota Department of Commerce requires that a franchisor indemnify Minnesota Franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's trademark infringes upon the trademark rights of the third party. The franchisor does not indemnify against the consequences of a franchisee's use of a franchisor's trademark except in accordance with the requirements of the franchise agreement, and as the condition to an indemnification, the franchisee must provide notice to the franchisor of any such claim immediately and tender the defense of the claim to the franchisor. If the franchisor accepts tender of defense, the franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Item 17, Additional Disclosures:

Any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of the State of Minnesota or in the case of a partnership or corporation, organized or incorporated under the laws of the State of Minnesota, or purporting to bind a person acquiring any franchise to be operated in the State of Minnesota to waive compliance or which has the effect of waiving compliance with any provision of the Minnesota Franchise Law is void.

We will comply with Minn. Stat. Sec. 80C.14, subs. 3, 4 and 5, which requires, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure), 180 days notice for nonrenewal of the Franchise Agreement, and that consent to the transfer of the franchise will not be unreasonably withheld.

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

The limitations of claims section must comply with Minn. Stat. Sec. 80C.17, subd. 5.

Exhibit H, Disclosure Acknowledgment Agreement

Exhibit H of the disclosure document is amended to include the following:

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.

MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Section 4(A) of the Franchise Agreement is amended to provide that payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations and franchisee is open for business.

With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 4 which requires that except for certain specified cases, that franchisee be given 180 days' notice for non-renewal of this Franchise Agreement.

The Minnesota Department of Commerce requires that franchisor indemnify franchisees whose franchise is located in Minnesota against liability to third parties resulting from claims by third parties that the franchisee's use of franchisor's trademarks ("Marks") infringe upon the trademark rights of the third party. Franchisor does not indemnify against the consequences of a franchisee's use of franchisor's trademark but franchisor shall indemnify franchisee for claims against franchisee solely as it relates to franchisee's use of the Marks in accordance with the requirements of the Franchise Agreement and franchisor's standards. As a further condition to indemnification, the franchisee must provide notice to franchisor of any such claim immediately and tender the defense of the claim to franchisor. If franchisor accepts tender of defense, franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Franchisee 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.

With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 3 which requires that except for certain specified cases, a franchisee be given 90 days' notice of termination (with 60 days to cure). Termination of the franchise by the franchisor shall be effective immediately upon receipt by franchisee of the notice of termination where its grounds for termination or cancellation are: (1) voluntary abandonment of the franchise relationship by the franchisee; (2) the conviction of the franchisee of an offense directly related to the business conducted according to the Franchise Agreement; or (3) failure of the franchisee to cure a default under the Franchise Agreement which materially impairs the goodwill associated with the franchisor's trade name, trademark, service mark, logo type or other commercial symbol after the franchisee has received written notice to cure of at least twenty-four (24) hours in advance thereof.

According to Minn. Stat. Sec. 80C.21 in Minnesota Rules or 2860.4400J, the terms of the Franchise Agreement shall not in any way abrogate or reduce your rights as provided for in Minn. Stat. 1984, Chapter 80C, including the right to submit certain matters to the jurisdiction of the courts of Minnesota. In addition, nothing in this Franchise Agreement shall abrogate or reduce any of franchisee's rights as provided for in Minn. Stat. Sec. 80C,

or your rights to any procedure, forum or remedy provided for by the laws of the State of Minnesota.

Any claims franchisee may have against the franchisor that have arisen under the Minnesota Franchise Laws shall be governed by the Minnesota Franchise Law.

The Franchise Agreement contains a waiver of jury trial provision. This provision may not be enforceable under Minnesota law.

Franchisee consents to the franchisor seeking injunctive relief without the necessity of showing actual or threatened harm. A court shall determine if a bond or other security is required.

The Franchise Agreement contains a liquidated damages provision. This provision may not be enforceable under Minnesota law.

Any action pursuant to Minnesota Statutes, Section 80C.17, Subd. 5 must be commenced no more than 3 years after the cause of action accrues.

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.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

The undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:
BARREL HOUSE ENTERPRISES, LLC

FRANCHISEE:

By: _____
Its: _____
Date: _____

By: _____
Its: _____
Date: _____

EXHIBIT E
GENERAL RELEASE FORM

FORM RELEASE OF CLAIMS

**THIS IS A CURRENT RELEASE FORM THAT GENERALLY WILL
BE USED WITH OR INCORPORATED INTO A SEPARATE AGREEMENT.
THIS FORM IS SUBJECT TO CHANGE OVER TIME.**

For and in consideration of the Agreements and covenants described below, Barrel House Enterprises LLC (“we” or “us”), _____ (“you”) and _____ (“Guarantors”) enter into this Release of Claims (“Agreement”).

RECITALS

- A. We and you entered into a Barrel House Franchise Agreement dated _____, 20____ (the “Franchise Agreement”).
- B. [NOTE: Describe the circumstances relating to the release.]

AGREEMENTS

1. **Consideration.** [NOTE: Describe the consideration paid.]
- 2-3. [NOTE: Detail other terms and conditions of the release.]
4. **Release of Claims.**

A. Definitions.

1. **Franchisor Parties:** We and each of our subsidiaries, corporate parents and affiliates, and their respective officers, directors, owners, stockholders, members, employees, insurers, attorneys, agents, successors, predecessors, assigns, heirs and personal representatives.

2. **Franchisee Parties:** You and each of the Guarantors and all persons or entities acting on their behalf or claiming under them including each of their respective past and present corporate parents, subsidiaries, affiliates, owners, heirs, executors, administrators, managers, directors, officers, employees, trustees, agents, partners, business entities, attorneys, insurers, successors and assigns.

B. The Franchisee Parties irrevocably and unconditionally waive, release and forever discharge, and covenant not to sue, the Franchisor Parties of and from any and all claims, suits, debts, liabilities, causes of action, demands, contracts, promises, obligations, losses, rights, controversies, damages, costs, expenses (including actual attorneys’ fees and costs incurred), actions and causes of action of every nature, whether known or unknown, direct or indirect, vested or contingent, at law or in equity, whether arising by statute, common law, or otherwise, including claims for negligence (collectively, “Claims”), that they may now have, or at any time heretofore had, or hereafter may have, against each or any of the Franchisor Parties arising out of or relating to any conduct, transaction, occurrence, act or omission at any time before the [Effective Date] relating to the Franchise Agreement(s), the development or operation of the Restaurant(s), the franchise relationship between the parties, the offer or sale of any franchise, or any agreement between any of the Franchisee Parties and any of the Franchisor Parties.

C. The Franchisee Parties specifically and expressly acknowledge and agree that the consideration accepted under this Agreement is accepted in full satisfaction of any and all injuries and/or damages that have previously arisen and which may hereafter arise respecting any of the claims being released.

D. The Franchisee Parties acknowledge that they have had a reasonable opportunity to consult with an attorney prior to signing this release and they have executed this release voluntarily. Also, the Franchisee Parties represent that they have not assigned or transferred to anyone any claims released by them under Section 4(B) above.

5. **General.** No amendment to this Agreement or waiver of the rights or obligations of either party shall be effective unless in writing signed by the parties. This Agreement is governed by the laws of the State of _____ without regard to conflicts of laws principles. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. This Agreement contains the entire agreement and understanding of the parties concerning the subject matter of this Agreement. [NOTE: Detail other miscellaneous provisions.]

YOU:

WE:

BARREL HOUSE ENTERPRISES LLC

BY: _____

BY: _____

ITS: _____

ITS: _____

DATE: _____

DATE: _____

PERSONAL GUARANTORS:

EXHIBIT F
LIST OF FRANCHISEES

EXHIBIT F

**LIST OF CURRENT FRANCHISEES
as of December 31, 2023**

Brickyard Barrel House, LLC
% Dave Fedor & Charlie Farner
9 Brickyard Dr
Bloomington, IL 61701
309-590-3396

**LIST OF FORMER FRANCHISEES
as of December 31, 2023**

None.

EXHIBIT G

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EXHIBIT H
DISCLOSURE ACKNOWLEDGMENT AGREEMENT

**DISCLOSURE
ACKNOWLEDGMENT AGREEMENT**

Applicant _____
(If corporation) State of Incorporation _____
Address of Applicant _____
Location (Territory) Applied For _____

1. I have received all appropriate disclosure documents for the State(s) of _____ at least fourteen (14) calendar days, exclusive of the day I received them and the day I signed them, before signing the Franchise Agreement and/or payment of any monies.

2. I have signed and returned to Barrel House Enterprises LLC (you or your) the acknowledgment of receipt for each disclosure document given me.

3. I have had an opportunity to read the Franchise Agreement thoroughly and understand all of your covenants and obligations and my obligations as a franchisee of the Barrel House system. I understand that the Franchise Agreement contains all obligations of the parties and that you do not grant to me any right of first refusal.

4. I understand that this franchised business may be impacted by risks largely outside your or our control such as local, national or global economic, political or social disruption.

5. I understand that this franchised business, as in all business ventures, involves other risks and, despite assistance and support programs, the success of my business will depend largely upon me and my ability.

6. Except for fill in the blank provisions or for negotiated changes that I initiated, I received a copy of the revised Franchise Agreement or related agreement at least seven (7) calendar days before the date on which the Franchise Agreement or related agreement was signed.

7. I understand that you have established a national marketing and promotional fund (the System Marketing Fund) which is not directed towards any specific franchise territory but is intended to benefit the entire Barrel House system nationwide. I further understand that amounts from the System Marketing Fund will be used to offset any in-house expenses you incur in providing marketing services, production art and other activities.

8. I have had no promises, guarantees or assurances made to me and no information provided to me relative to earnings, revenues, profits, expenses or projected revenues for this franchise, except as disclosed in the disclosure document. If I believe that I have received any such promises, guarantees, assurances or information, I agree to describe it below (otherwise write "None").

Applicants' Acknowledgment:

Name: _____ Name : _____
Date: _____ Date: _____

EXHIBIT I
STATE EFFECTIVE DATES AND RECEIPT PAGES

State Effective Dates

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

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

State	Effective Date
Illinois	Pending
Minnesota	Pending
South Dakota	See separate FDD
Virginia	See separate FDD
Wisconsin	See separate FDD

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 Barrel House Enterprises LLC (“Barrel House”) offers you a franchise, Barrel House must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Barrel House or its affiliate in connection with the proposed franchise sale. Iowa requires that we give you this disclosure document at the earlier of the first personal meeting or 14 calendar days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Barrel House 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 those state administrators listed on **Exhibit C**.

Issuance Date: April 29, 2024

The franchisor is Barrel House Enterprises LLC, located at 3475 Jersey Ridge Road, Ste. 3, Davenport, Iowa 52807. Its telephone number is 563-214-1013.

Barrel House franchise sellers involved in offering and selling the franchise are Jimmy Holt and Chris Posey, 3475 Jersey Ridge Road, Ste. 3, Davenport, Iowa 52807, 563-214-1013, or are listed below (with address and telephone number), or will be provided to you separately before you sign a franchise agreement:
_____.

Barrel House authorizes the respective state agencies identified on **Exhibit C** to receive service of process for Barrel House Enterprises LLC in the particular state.

I have received a disclosure document with an issuance date of April 29, 2024, that included the following Exhibits:

- A. Financial Statements
- B. Franchise Agreement (and Exhibits)
- C. List of State Administrators, Agents for Service of Process
- D. State Addenda
- E. General Release Form
- F. List of Franchisees
- G. Operations Manual Table of Contents
- H. Disclosure Acknowledgment Agreement
- I. State Effective Dates and Receipt Pages

Date: _____
(Do not leave blank)

(Print Name of Prospective Franchisee (For Entity))

By: _____
Its: _____

Signature _____

(Print Name of Prospective Franchisee (For Individuals))

Signature _____

Copy for Franchisee

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 Barrel House Enterprises LLC (“Barrel House”) offers you a franchise, Barrel House must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Barrel House or its affiliate in connection with the proposed franchise sale. Iowa requires that we give you this disclosure document at the earlier of the first personal meeting or 14 calendar days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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| D. State Addenda | H. Disclosure Acknowledgment Agreement |
| | I. State Effective Dates and Receipt Pages |

Date: _____
(Do not leave blank)

(Print Name of Prospective Franchisee (For Entity))

By: _____
Its: _____

Signature _____

(Print Name of Prospective Franchisee (For Individuals))

Signature _____

Please sign and date both copies of this receipt, keep one copy (the previous page) for your records, and mail one copy (this page) to the address listed on the front page of this disclosure document or send to Jimmy Holt at 4401 West Locust Street, Davenport, Iowa 52804, 563-214-1013, franchise@barrelhousepub.com.

Copy for Barrel House Enterprises LLC