

FRANCHISE DISCLOSURE DOCUMENT



BLH Restaurant Franchises LLC
(a Delaware limited liability company)

The Colonnade

15305 Dallas Parkway – 12th Floor

Addison, Texas 75001

214.845.4800 • franchise@barlouie.com

www.barlouie.com

A “Bar Louie” franchisee will operate a “gastrobar” bar and restaurant concept offering upscale casual food, on-premises consumption of alcoholic beverages, third party delivery and catering sales, and related sales of products and services. We also offer an opportunity to open and operate multiple Bar Louie gastrobars within a defined geographic area under a Development Agreement.

The total investment necessary to begin operation of a Bar Louie Gastrobar franchise under a franchise agreement ranges from \$1,~~079~~064,500 to \$3,~~974~~949,000 (including \$50,500 due to the franchisor or an affiliate).

For a three-unit development agreement, the total investment necessary would range from \$3,~~238~~193,500 to \$11,~~922~~847,000 (including \$151,500 due to the franchisor or an affiliate). Under a development agreement, you must open three or more units.

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 Brian K. Wright at franchise@barlouie.com or The Colonnade, 15305 Dallas Parkway – 12th Floor, Addison, TX 75001 (tel: 214.845.4800 Option 9).

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.

The issuance date of this Franchise Disclosure Document is ~~July 21, 2023~~August 22, 2024.

HOW TO USE THIS 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 E includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only "Bar Louie" 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 "Bar Louie" franchisee?	Item 20 or Exhibit F list 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 A.

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

SPECIAL RISKS TO CONSIDER ABOUT THIS FRANCHISE

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

Out-of-State Dispute Resolution. The franchise agreement requires you to resolve disputes with us by mediation and litigation in Texas. Out of state mediation and litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate and litigate in Texas than in your own state.

Financial Condition. The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.

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.

**BLH RESTAURANT FRANCHISES LLC
FRANCHISE DISCLOSURE DOCUMENT**

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

BLH Restaurant Franchises LLC is a limited liability company organized in the State of Delaware on May 27, 2020. We do business under the name BLH Restaurant Franchises LLC and “Bar Louie.” We do not do business under any other name. Our principal business address is The Colonnade, 15305 Dallas Parkway – 12th Floor, Addison, Texas 75001 and our agents for service of process are listed on Exhibit B of this disclosure document.

Our parent and affiliate entities, and predecessors, are described below. Except as indicated, all also have their principal business address at The Colonnade, 15305 Dallas Parkway – 12th Floor, Addison, Texas 75001, and none have offered franchises in any line of business nor do they provide products or services to Bar Louie franchisees.

BLH Acquisition Co. LLC (“ BLH ”), a Delaware LLC organized on January 23, 2020	BLH is our immediate parent and our sole member. BLH owns the trademarks and other IP for the “Bar Louie” system and has licensed that to us for our use and to, in turn, license the “Bar Louie” system, trademarks, copyrights, and other IP assets to our franchisees.
BLH Holdco LLC, a Delaware LLC organized on May 19, 2020	Holdco is BLH’s immediate parent and its sole member
BLH Topco LLC, a Delaware LLC organized on May 19, 2020	Topco is Holdco’s immediate parent and its sole member

Our Predecessors

BL Restaurant Franchises LLC (“**BLRF**”) was the franchisor of the “Bar Louie” restaurant system from December 2009 to May 2020. It did not offer franchises in other lines of business.

On January 27, 2020, BLRF and certain affiliated entities (BL Restaurants Holding LLC, BL Restaurant Operations LLC, and BL Hunt Valley LLC) (together, the “**Debtors**”) filed petitions seeking relief under Chapter 11 of the U.S. Bankruptcy Code, as explained in Item 4 below. On April 29, 2020, the Bankruptcy Court approved the sale of the Debtors’ principal assets to BLH. That transaction closed on May 27, 2020, and at that time, we became the franchisor of the “Bar Louie” system. To our knowledge, the Debtors did not offer franchises in any lines of business.

BLRF’s predecessor was Bar Louie Development, Inc., which had its principal business address at 1840 Pickwick Lane, Suite B, Glenview, Illinois 60026. On December 30, 2009, Bar Louie Development, Inc. and its subsidiaries sold their assets to BLRF and its affiliates. At that time, BLRF became franchisor of the Bar Louie franchise system and assumed 12 existing franchise agreements. Bar Louie Development, Inc. later changed its name to 706 Development Inc. and was dissolved in January 2014. Bar Louie Development, Inc. offered franchises for Bar Louie Restaurants from 2006 to May 2010 (and, to our knowledge, not in any other line of business).

Bar Louie Development Inc. had affiliates that owned and operated (directly and through affiliates) “Bar Louie” restaurants since 1990. BLRF’s affiliate purchased some of those assets and until the 2020 bankruptcy filing noted above, also operated company-owned Bar Louie restaurants.

Our Business

The first Bar Louie restaurant was opened in Chicago in 1990.

Today, we offer franchises for the establishment, development and operation of an independently owned and operated gastrobar, which is a restaurant and bar concept offering the sale of upscale casual food, on-premises consumption of alcoholic beverages, third party delivery services, and sale of related services and products using our marks and our distinctive system described below ("**Restaurant**" or "**Gastrobar**"). We offer franchise grants for single Restaurants (also referred to as "franchises"), and will sign a franchise agreement (the "**Franchise Agreement**") for each franchise and Restaurant location you open. A copy of the Franchise Agreement is attached as Exhibit C of this disclosure document.

To simplify the language in this disclosure document, "**Bar Louie**," "**company**," "**we**," "**us**" or "**our**" means BLH Restaurant Franchises LLC, the franchisor. "**You**," "**your**" or "**Franchisee**" means the person who buys a Bar Louie franchise (and also each equity owner of the Franchisee). If you are entering into a development agreement, these terms refer to you in your capacity as the "developer" under the Development Agreement. We anticipate entering into unit franchise agreements with individuals and business entities. If you are an individual, you may, with our consent, assign your rights under your franchise agreement to a corporation, limited liability company, or other business entity, but you will remain personally responsible for all obligations imposed on you under the franchise agreement.

We also offer the right to establish and maintain multiple Gastrobars in a defined geographic area and according to the development schedule under a Development Agreement ("**Development Agreement**"). A copy of the Development Agreement is attached as Exhibit D of this disclosure document. For each unit developed under the Development Agreement, you will sign a separate Franchise Agreement. The form of the Franchise Agreement that you sign will be the Franchise Agreement that we are then offering, which may be different from the Franchise Agreement that is attached to this disclosure document.

The Restaurant

If we award you a franchise, then you will open and operate a Gastrobar in accordance with the terms of the Franchise Agreement that will govern the terms of our commercial relationship. If you wish to open and operate more than one Gastrobar, then you may want to ask about signing a Development Agreement.

Each Gastrobar has a distinctive appearance and method of operation identified with the Bar Louie system (described below), and typically will be located in or near lifestyle centers, highly concentrated business areas, and densely populated residential and urban areas. A typical Gastrobar will operate within a space containing approximately 6,000 to 8,000 square feet. Each Gastrobar will be designed and constructed in accordance with our plans and specifications. We offer you startup and ongoing operational assistance as described in Item 11 below.

Each Gastrobar must operate in accordance with our distinctive system (the "**System**"). The System is characterized by the "Bar Louie" name and logo; readily recognized color schemes; distinctive exterior and interior layout for restaurant and bar; specialized decorations, furnishings, paper products, signs, point of purchase displays, logos, trade names, virtual brand names, trademarks and service marks identifying the restaurant; Bar Louie's selections and proprietary food products; menus and food and beverage designations; methods for displaying and

merchandising products and for operating the Restaurant; service and delivery procedures and techniques; Bar Louie's Confidential Brand Manual (the "**Manual**"); and methods and techniques for inventory and cost controls, record keeping and reporting, personnel management, purchasing, sales promotion and advertising of food and beverage products and services and related items. We may change the System periodically.

Industry-Specific Regulations

You must comply with all local, state, and federal laws that apply to your Restaurant's operations, including for example health, sanitation, no-smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disability Act of 1990 requires readily accessible accommodation for disabled persons and therefore may affect your building construction, site elements, entrance ramps, doors, seating, restrooms, drinking facilities, etc. For example, you must obtain real estate permits (e.g., zoning), real estate licenses, and operational licenses. There are also regulations that pertain to handling consumer data, sanitation, healthcare, labeling, caloric information, nutrition disclosures, allergen disclosures, food preparation, food handling, and food service. These may include business license requirements, health and safety regulations, employment regulations, food handling regulations and beverage and liquor license regulations. The laws in your state or municipality may be more or less stringent.

You must comply with the federal regulations requiring nutrition labeling on menus and blackboards for food sold at restaurants. You must follow the Payment Card Industry Data Security Standards and comply with applicable privacy laws relating to customer credit card transactions. Various municipalities have imposed limitations on restaurant operations during the current pandemic. You will be required to comply with all applicable federal, state, and local laws and regulations in connection with the operation of your Restaurant. You should consult with your attorney concerning those and other local laws and ordinances that may affect your Restaurant's operation.

Competition

You can expect to compete in your market with locally-owned businesses, as well as with national and regional chains of restaurants, bars, and other food service establishments offering related food and beverage products and services. The market for these items is well-established and very highly competitive. These businesses compete on the basis of many factors such as price, service, location, and product quality. These businesses are often affected by other factors as well, such as changes in consumer taste, economic conditions, seasonal population fluctuation, and travel patterns. To the extent that customers may be able to buy Bar Louie brand products from other sources (for example, other Gastrobars, our website), you may appear to, or actually, compete with other sellers of Bar Louie brand products.

ITEM 2:**BUSINESS EXPERIENCE**

Brian K. Wright Chief Executive Officer
 Mr. Wright has served us as our CEO since September 2022. Mr. Wright previously served as CEO of Tijuana Flats Restaurants LLC in Maitland, Florida from March 2019 to August 2022. He served as CEO of Bertucci's Restaurants in Northborough, Mass. from July 2016 until February 2019.

Michael J. Mrlik, II Chief Operating Officer
 Mr. Mrlik has served us as our COO since October 2022. Mr. Mrlik served as Senior Vice President of Operations at Steak n Shake in Austin, Texas from February through October 2022. He served as COO of SARKU JAPAN, in Austin, Texas, from February 2018 to July 2020 and before that, as President of Old Chicago Pizza & Taproom and SVP of Operations with CraftWorks Restaurants & Breweries in Evergreen, Colo. from November 2013 until January 2018.

Gregory Ruedy ~~Interim~~ Chief Financial Officer and Vice President of Finance
 Mr. Ruedy has served as ~~Interim~~ Chief Financial Officer and Vice President of Finance for us and BLH since September 2022. From June 2019 until August 2022, Mr. Ruedy was the Vice President of Finance at OL Management, Inc. in Plano, Texas. From April 2016 until June 2019, Mr. Ruedy served as Senior Director of Financial Planning & Analysis (May 2018 to June 2019), and, before that, Director of Financial Planning & Analysis (April 2016 to May 2018), at Studio Movie Grill, Inc. in Dallas, Texas.

Roberta Frierson Senior Vice President of Information Technology
 Ms. Frierson has served as Senior Vice President of Information Technology for us and BLH since December 2021. From April 2007 until December 2021, she served as Vice President for Information Technology of Lettuce Entertain You Enterprises in Chicago.

~~Kenther Ramos~~ ~~Director of Franchise~~
~~Megan Gibbons~~ ~~Senior Vice President of Human Resources~~
~~Ms. Gibbons~~~~Mr. Ramos~~ has served as ~~Director~~~~Senior Vice President~~ of ~~Franchise~~~~Human Resources~~ for us and BLH since ~~August~~~~May~~ 2021. ~~He~~~~From August 2019 until December 2021,~~ ~~she~~ served as ~~Director~~~~Vice President~~ of ~~Asset Protection~~~~Human Resources~~ for us, ~~BLH,~~ and ~~BLH.~~

Brian DeHart Vice President of Franchise Operations
Mr. DeHart has served as Vice President of Franchise Operations for us and BLH since February 2014. From September 2018 until February 2024, he served as Director of Operations for us and BLH.

Steve Culbert Vice President of Franchise Sales and Administration
~~Mr. our predecessors from March 2019 to August 2021. From~~ Culbert has served as Vice President of Operations, Franchise Sales and Administration for us and BLH since January 2015 to March 2024. From May 2019 until December 2023, he was the served as Senior Vice President of Compliance Operations for Southern Star Restaurant Management Tijuana Flats LLC in Winter Park, Maitland, Florida. From October 2012 until May 2019, he served as Vice President of Operations for Au Ban Pain in Boston.

ITEM 3:**LITIGATION**

BL Restaurant Franchises LLC v. 510 Park, Inc. et al., No. 3:18-cv-971-B (N.D. Tex., filed Apr. 17, 2018). This case involves a series of disputes with franchisee entities owned by members of

the Fortney family, who operated two Bar Louie Restaurants in the Minneapolis area and one in Columbus, Ohio. Our suit sought relief to enjoin the franchisees from violating their franchise agreements and closing a restaurant. The case was dismissed without prejudice on June 5, 2018 and the parties proceeded to arbitrate their differences. *BL Restaurant Franchises v. Fortney Hospitality Group et al.*, No. 01-18-0003-9595 (AAA) (filed October 23, 2018). After we filed those actions, the Fortneys filed a counterclaim in the arbitration, alleging violations of the Minnesota franchise statute and the Minnesota Deceptive Trade Practices Act, breach of contract, tortious interference with prospective business advantage, fraud and negligent misrepresentation. The parties reached a settlement under which the Fortneys dismissed all of their claims against us and also agreed to turn over their Columbus restaurant to us; we then dismissed our action against the Fortneys. The transaction was consummated, and all of the parties' claims have been dismissed.

Other than the one case described above, no litigation is required to be disclosed in this Item.

ITEM 4:

BANKRUPTCY

On January 27, 2020, BL Restaurants Holding LLC, BL Restaurant Operations LLC, BL Restaurant Franchises LLC, and BL Hunt Valley LLC (together, the "**Debtor Entities**"), filed petitions seeking relief under Chapter 11 of the U.S. Bankruptcy Code. (US Bankruptcy Court for the District of Delaware, No. 20-10156 (MFW) (the "**Chapter 11 Cases**"). Several of our officers were also officers of the Debtor Entities. On April 29, 2020, the court entered several orders: (1) Approving Asset Purchase Agreement and Authorizing Sale of Debtor Entities Assets, Free and Clear of All Liens, Claims, Interests, and Encumbrances; (2) Approving the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases; and (3) Granting Related Relief approving the sale of substantially all of their assets (the "**Sale**") to BLH, pursuant to an Asset Purchase Agreement by and among the Debtor Entities and BLH dated January 26, 2020 (the "**Asset Purchase Agreement**"). On May 27, 2020, the Debtor Entities closed the Sale to BLH under the Asset Purchase Agreement. The court approved a reorganization plan in 2021 and dissolved the Debtor Entities on June 15, 2023.

On April 15, 2018, Bertucci's, Inc. filed a petition seeking relief under Chapter 11 of the U.S. Bankruptcy Code. (US Bankruptcy Court for the District of Delaware, No. 1:18-bk-10898). Brian Wright, our CEO, was the CEO of Bertucci's Inc. when that filing was made. This Chapter 11 case was dismissed on January 14, 2020.

Other than the two matters described above, no bankruptcy is required to be disclosed in this Item.

ITEM 5:

INITIAL FEES

The initial franchise fee of \$50,000 is due and payable upon signing the Franchise Agreement. If you intend to operate Restaurants at multiple locations, and we authorize you to do so, an additional \$50,000 franchise fee will be required for each Restaurant location, and shall be due and payable upon signing each Franchise Agreement. You must sign a Franchise Agreement for each Restaurant that you intend to open and operate.

All franchise fees are fully earned and nonrefundable under any circumstances. In our fiscal year ended December 25, ~~2022~~2023, we entered into one Franchise Agreement, collected \$25,000, and deferred payment of the remainder of the initial franchise fee.

Other Purchases

Before you open for business, you must pay us a non-refundable activation fee of \$500 per Restaurant location for the license for the required data management platform.

Development Fee

Under the terms of the Development Agreement, the Franchise Fee is the same as under the Franchise Agreement. You must pay a Development Fee equal to \$25,000 multiplied by the number of Bar Louie restaurants you agree to develop under the Development Agreement, payable on execution of the Development Agreement. In addition, the Development Agreement will contain a minimum "Development Schedule" which will specify when each of the Bar Louie restaurants must be developed and opened. Each time you execute a Franchise Agreement, you will pay the applicable initial Franchise Fee; however, you will receive a credit for \$25,000, which is the amount you paid for each Bar Louie restaurant to be developed under the Development Agreement. As a result, the balance due at the time you sign each Franchise Agreement will be \$25,000 (which is the balance after applying the \$25,000 credit) (\$50,000 - \$25,000 = \$25,000).

You must develop at least three Bar Louie restaurants under a Development Agreement.

The Development Fee is not refundable under any circumstances. In our fiscal year ended December 25, ~~2022~~2023, we entered into ~~one~~no development ~~agreement but did not collect development fees during that year.~~agreements.

ITEM 6:**OTHER FEES**

Type of Fee	Amount	Due Date	Remarks
Royalty Fees (Note 1)	5% of Gross Sales	Payable weekly on Tuesday for the prior week ended Sunday	See definition of "Gross Sales"
Marketing Contribution (Notes 1 to 3)	Up to 4.5% of Gross Sales	Same as royalties	Currently, allocated as 1.5% to the Marketing Fund and 3% to be spent by you on local marketing and promotion. We have the right to change this allocation upon notice.
Inspection or Audit (Note 5)	Costs incurred plus interest on any underpayment	Upon demand	Only due if inspection or audit discloses that information provided to us was materially inaccurate or misleading
Supplier/Vendor or Supplies Approval (Note 6)	Reasonable cost of inspection and actual costs of any tests	Time of inspection	Only due if you propose a new supplier or vendors (or particular suppliers) that we have not previously approved

Type of Fee	Amount	Due Date	Remarks
Additional and Repeat Initial Training	Our then-current fee (currently \$500 per day)	As incurred	
Interest (Note 7)	1.5% per month (but not more than the maximum rate (if any) that applies to you under local law)	Upon demand	Only due if you pay late. This applies to overdue Royalty Fees, advertising contributions, and other amounts due to us and our affiliates
Renewal Fee (Note 8)	\$25,000 or 50% of our then-current initial franchise fee for new "Bar Louie" franchises (if more)	At the time of renewal	Only payable if you decide to renew your franchise. The renewal fee is instead of a new initial franchise fee.
Transfer fee (Note 9)	\$5,000 or 10% of our then-current initial franchise fee for new "Bar Louie" franchises (if more)	At the time of transfer	Only due if you propose a transfer. The transfer fee is waived for a transfer due to a death or disability (if you reimburse us for our reasonable out-of-pocket expenses incurred in reviewing, approving, and documenting your proposed transaction, including our attorneys' fees). You must also pay any broker's commission in connection with the transaction.
Securities Offering Fee	\$5,000 or our actual expenses, whichever is greater	Upon demand	If you engage in a securities offering, you must reimburse us for our reasonable costs and expenses (including legal and accounting fees) to review, approve, and document your proposed offering and you also must indemnify us (see below).
Relocation Fee (Note 10)	\$5,000 plus all of our out of pocket costs and expenses	At the time of proposed relocation	Only due if you propose to relocate your franchise.
Cost of Enforcement or Defense (Note 11)	All costs and expenses, including attorneys' fees	Upon demand	Only due if you are in default under the Franchise Agreement or Development Agreement, in which case you must reimburse us for all costs in enforcing the relevant agreement.

Type of Fee	Amount	Due Date	Remarks
Insurance Reimbursement (Note 12)	Actual costs	Upon demand	Only due if you fail to purchase <u>purchase</u> the required business, and we exercise our right to buy insurance for you (we are not obligated to do so).
Indemnification (Note 13)	All costs and expenses, including attorneys' fees	Upon demand	You will defend suits at your own cost and hold us harmless against suits involving damages resulting from your operation of the Restaurant. Also applies to any securities offering that you make.
Opening Extension	\$2,500 for each week extension granted	In advance of the extension	Only due if you request a one week extension of the date by which you must open the Restaurant and we grant the extension. The fee must be paid in advance and will be pro-rated for any partial weeks.
Lost Future Royalties	The average of the monthly royalty fees due for the previous 12 months, multiplied by the lesser of 36 or the number of months then-remaining in the term of the Franchise Agreement	Upon request	You must pay this if we terminate the Franchise Agreement as a result of your default or if you abandon the Restaurant.
Technology Fee	Currently, 0.5% of Gross Sales	Monthly	Currently, this fee covers Help Desk Support that we make available to franchisees. We have the right to change this fee.

Type of Fee	Amount	Due Date	Remarks
License for data management platform.	Currently an activation fee of up to \$500 and a monthly license fee (which currently ranges from \$192 to \$268/month).	Monthly	We sublicense the use of the platform to you and you pay us the fee.
License for Point of Sale System	Varying subscription charges based on your service selection	Monthly	We sublicense the use of the platform to you and you pay us the fee. Licensed directly to you through third party vendor

The above table describes other recurring or isolated fees or payments that you must pay to us, or which we collect for a third party. Unless otherwise indicated below, all of the fees listed below are non-refundable and are imposed by, payable to, and collected by us. These fees are uniformly applied to new system franchisees and are not refundable; however, in some instances, we have waived some or all of these fees for a one or more franchisees.

Notes to Item 6:

- 1 Gross Sales. "Gross Sales" means the total revenues derived in and from all sales (both retail and wholesale, if permitted) of food and beverage products and accessories, goods, wares, merchandise, and all services made in, upon, or from the Restaurant, whether for cash, check, credit or otherwise, without reserve or deduction for inability or failure to collect same, including without limitation such sales and services where the orders originated at and are accepted by you in the Restaurant, but delivery or performance is made from or at any other place. Gross Sales do not include refunds to customers or the amount of any sales taxes or other similar taxes that you might be required to and do collect from customers to be paid to any federal, state, or local taxing authority. Sales tax and refund amounts may be deducted from gross receipts in determining Gross Sales. Our affiliate-owned restaurants are not required to pay royalties to us.

All royalty fees, advertising contributions, amounts due for your purchases from us and other amounts which you owe to us will be paid through electronic funds transfer (using the ACH network). We will have access to this account for the purpose of receiving payment for royalty fees, advertising contributions, and amounts due for your purchases from us and any other amounts which you owe to us. You must maintain a sufficient balance in the account to cover amounts due to us for Royalty Fees, advertising contributions and other funds owed to us for the preceding week ending on Sunday. Deposits for all other amounts owed to us must be in accordance with the procedures set forth in the Manual.

- 2 Marketing Fund. You must contribute up to 4.5% of the Franchised Business' Gross Sales to the Marketing Fund. Your required payments to the Marketing Fund would be made at the same time, in the same manner as, and in addition to, the Royalty Fee.

3. Local Advertising. After the first 30 days you are in business, you will spend each calendar month on local advertising and promotion, an amount equal to 3% of your Gross Sales. You will make these expenditures directly, subject to our approval and direction. We will provide guidelines for local advertising and any deviation from such guidelines requires our approval.
4. Regional Advertising. If there are other franchisees in your advertising area, then we may establish a regional fund for that area (but we are not required to do so). The following will only apply if we establish a regional fund for your area:
 - If we establish a regional fund for your area, then you would be required to contribute to that fund.
 - Your expenditures for regional advertising will be credited against the total required expenditures for local advertising (3% of Gross Sales, as described in Note 2 above).
 - Each participating franchisee in a regional fund will have one vote for each Restaurant. Company- and affiliate-owned restaurants may participate in regional fund advertising, and if they do, they will also have one vote per restaurant. Voting relates only to the regional fund and to no other issues.
 - A majority of the Bar Louie Restaurant owners in the regional fund may vote to increase the amount of each Bar Louie Restaurant owner's contribution to the regional fund by up to an additional two percentage points (200 basis points) of each Restaurant's Gross Sales. You must contribute to the regional fund in accordance with any such vote by the regional fund to .increase each Bar Louie Restaurant's contribution.
 - Voting concerning the regional fund will be on the basis of one vote per Bar Louie Restaurant, and each Bar Louie Restaurant that we operate in the region, if any, will have the same voting rights as those restaurants that are owned by our franchisees.
5. Inspection or Audit. If an inspection or audit of your books and records reveals that any payments due to us have been understated in any report, then you will immediately pay us, upon demand, the understated amount plus interest from the date any amount was due until paid. If an inspection or audit discloses that information provided to us was materially inaccurate or misleading (or it cannot be determined whether it was materially inaccurate or misleading because you have failed to maintain and preserve the required compliance data), then you will also reimburse us for any costs and expenses, including accounting and attorneys' fees connected with the inspection or audit. Any understatement of Gross Sales to the extent of 2% or more in any report is conclusively deemed to be materially inaccurate and misleading.
6. Supplier/Vendor, Supplies Approval. If you wish to sell or use any product that is has not been approved by us, or purchase any product from a supplier or vendor that has not been approved by us, you are required under the Franchise Agreement to notify us and, if requested, submit samples and other information for inspection and testing. You or the proposed supplier or vendor must pay the reasonable cost of the inspection and evaluation and the actual cost of any testing.
7. Late Fees and Interest. We are not required to accept payments after they are due or commit to extend credit to you or otherwise finance your Restaurant. We will have the sole discretion

to apply any of your payments to any past due indebtedness of yours for Royalty Fees, advertising contributions, purchases from us, interest on any other indebtedness, in the amounts and in the order as we will determine. Interest begins from the date of non-payment or underpayment.

- 8 Renewal. The renewal fee is required if you renew your franchise. Renewal is subject to certain conditions contained in Exhibit C, Section 2.2 of the Franchise Agreement.
- 9 Transfer. The transfer fee is required if you assign your interest to a third party but will not be charged if the interest is transferred to a corporation, limited liability company or other entity you owned and formed solely to operate the Franchised Restaurant.
- 10 Relocation Fee. If the lease for your Restaurant location expires or terminates without your fault or if the location is destroyed, condemned or similarly rendered unusable, or as we may otherwise agree in writing, we may grant permission for relocation of the Restaurant to an acceptable location. Any relocation will be at your sole expense and we will charge you a fee of \$5,000 (plus all of our direct, actual out of pocket costs and expenses incurred in providing services in any relocation of the Restaurant).
- 11 Cost of Enforcement or Defense. If a claim for amounts you owe to us is asserted in any legal proceeding before a court of competent jurisdiction, or if we or you must enforce the Franchise Agreement, Development Agreement, and related agreement (including non-compete agreements) in a judicial or arbitration proceeding, the prevailing party will be entitled to reimbursement of its costs, including reasonable accounting and attorneys' fees, resulting from this proceeding. You also will be responsible for our costs of enforcement relating to your personnel's non-competition obligations.
- 12 Insurance. You must maintain certain business insurance with at least the coverages that are described in Item 7, Note 7 below. We will be updating Note 7 below. If you fail to obtain this insurance, we will have the right (but not the obligation) to purchase insurance on your behalf and charge you for the costs and expenses of obtaining such policies (by debit your EFT account or demanding payment).
- 13 Indemnification. You agree to defend at your own cost and to indemnify and hold harmless us, our shareholders, directors, officers, employees and agents, from and against any and all claims, losses, costs, expenses (including attorneys' fees), damages and liabilities arising out of any and all acts or omissions of you, your shareholders, members, directors, managers, officers, licensees, employees and/or agents, as applicable, occurring at, from or in connection with the Restaurant, or any breach of the Development Agreement. This obligation includes any costs and expenses associated with violation of applicable law.
- 14 Inflation. We have the right to adjust, to account for any inflation that may occur, all of the fixed dollar amounts under the Franchise Agreement according to the Index. The term "Index" means the Consumer Price Index (1982-84=100; all items; CPI-U; all urban consumers) as published by the U.S. Bureau of Labor Statistics ("BLS"). If the BLS no longer publishes the Index, then we will have the right to designate a reasonable alternative measure of inflation.

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

Table A: YOUR ESTIMATED INITIAL INVESTMENT (A SINGLE GASTROBAR UNDER A FRANCHISE AGREEMENT)					
Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is Made
	From	To			
Initial Franchise Fee (Note 1)	\$50,000	\$50,000	Lump Sum	When you sign the Franchise Agreement	Us
Travel/Living Expenses for Initial Training (Note 2)	\$25,000	\$80,000	As Incurred	During training	Transportation on lines, hotels and restaurants
Business Licenses and Permits (Note 3)	\$10,000	\$400,000	Lump sum	Before opening	Government agencies
Professional Fees (Note 3)	\$2,500	\$25,000	As Incurred	As required	Attorneys, Accountants
Promotional Materials and Supplies (Note 4)	\$3,000	\$10,000	Lump sum	As required	Approved vendors
Rent and Security Deposit (Note 5)	\$60,000	\$160,000	Lump sum	As required	Landlord
Utility Deposits (Note 6)	\$3,000	\$15,000	Lump sum	As required	Utility companies
Insurance (incl. workers' comp.) (Note 7)	\$31,000	\$35,000	Lump sum	As required by insurance company	Insurance company
Construction Costs (Note 8)	\$500,000	\$1,800,000	As incurred	As incurred	Contractors; other third parties
Architect Fees	\$30,000	\$100,000	As Incurred	Before Opening	Architect

**Table A:
YOUR ESTIMATED INITIAL INVESTMENT
(A SINGLE GASTROBAR UNDER A FRANCHISE AGREEMENT)**

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is Made
	From	To			
Branding Materials, Graphic Design (Note 9)	\$5,000	\$25,000	Lump Sum	Before Opening	Approved vendor
Initial Inventory (Note 10)	\$50,000	\$64,000	As incurred	Before opening	Approved vendor
Kitchen & Bar Equipment (Note 11)	\$60,000	\$360,000	Lump Sum	Before opening	Approved vendor
Smallwares (Note 12)	\$40,000	\$50,000	As incurred	Before opening	Approved vendor
Point-of-Sale System (Note 13)	\$25 <u>10</u> ,000	\$50 <u>25</u> ,000	Lump Sum	Before Opening	Approved vendor
Fixtures, Tables, Chairs and Office Equipment (Note 14)	\$70,000	\$350,000	Lump Sum	Before Opening	Approved vendor
Artwork	\$10,000	\$50,000	Lump Sum	Before Opening	Approved vendor
Signage	\$20,000	\$75,000	Lump Sum	Before Opening	Approved vendor
Grand Opening (Note 15)	\$10,000	\$50,000	As incurred	A 30 day period within 90 days after Opening	Media, printers and other vendors
Additional Funds (3 months) (Note 16)	\$75,000	\$225,000	As incurred	As incurred	Employees, vendors
Totals (Note 17)	\$1, 079 <u>064</u> ,500	\$3, 974 <u>949</u> ,000			

**Table B:
YOUR ESTIMATED INITIAL INVESTMENT
(FOR 3 GASTROBARS UNDER A DEVELOPMENT AGREEMENT)**

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is Made
	From	To			
Development Fee (Note 1)	\$75,000	\$75,000	Lump Sum	When you sign the Development Agreement	Us
Initial Franchise Fees (Note 1)	\$75,000	\$75,000	Lump Sum	When you sign each Franchise Agreement	Us
Travel/Living Expenses for Initial Training (Note 2)	\$75,000	\$240,000	As Incurred	During training	Transportation lines, hotels and restaurants
Business Licenses and Permits (Note 3)	\$30,000	\$1,200,000	Lump sum	Before opening	Government agencies
Professional Fees (Note 3)	\$7,500	\$75,000	As Incurred	As required	Attorneys, Accountants
Promotional Materials and Supplies (Note 4)	\$9,000	\$30,000	Lump sum	As required	Approved vendors
Rent and Security Deposit (Note 5)	\$180,000	\$480,000	Lump sum	As required	Landlord
Utility Deposits (Note 6)	\$9,000	\$45,000	Lump sum	As required	Utility companies
Insurance (incl. workers' comp.) (Note 7)	\$93,000	\$105,000	Lump sum	As required by insurance company policy	Insurance company
Construction Costs (Note 8)	\$1,500,000	\$5,400,000	As incurred	As incurred	Contractors; other third parties
Architect Fees	\$90,000	\$300,000	As Incurred	Before Opening	Architect

**Table B:
YOUR ESTIMATED INITIAL INVESTMENT
(FOR 3 GASTROBARS UNDER A DEVELOPMENT AGREEMENT)**

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is Made
	From	To			
Branding Materials, Graphic Design (Note 9)	\$15,000	\$75,000	Lump Sum	Before Opening	Approved vendor
Initial Inventory (Note 10)	\$150,000	\$192,000	As incurred	Before opening	Approved vendor
Kitchen & Bar Equipment (Note 11)	\$180,000	\$1,080,000	Lump Sum	Before opening	Approved vendor
Smallwares (Note 12)	\$120,000	\$150,000	As incurred	Before opening	Approved vendor
Point-of-Sale System (Note 13)	\$75 <u>30</u> ,000	\$150 <u>75</u> ,000	Lump Sum	Before Opening	Approved vendor
Fixtures, Tables, Chairs and Office Equipment (Note 14)	\$210,000	\$1,050,000	Lump Sum	Before Opening	Approved vendor
Artwork	\$30,000	\$150,000	Lump Sum	Before Opening	Approved vendor
Signage	\$60,000	\$225,000	Lump Sum	Before Opening	Approved vendor
Grand Opening (Note 15)	\$30,000	\$150,000	As incurred	A 30 day period within 90 days after Opening	Media, printers and other vendors
Additional Funds (3 months) (Note 16)	\$225,000	\$675,000	As incurred	As incurred	Employees, vendors
Totals (Note 17)	\$3, 238 <u>193</u> ,500	\$11, 922 <u>847</u> ,000			

Notes:

We do not provide financing for any part of your investment.

Table A provides the estimates applicable if you were to open one franchised Bar Louie Gastrobar under a Franchise Agreement.

Table B provides the estimates applicable if you were to sign a Development Agreement to open three Bar Louie Gastrobars. Except for the payment of the development fee and the initial franchise fees, the figures in Table B are simply three-times the figures in Table A. (If you sign a Development Agreement for more than three franchised Gastrobars, then your estimated investment will be proportionally higher.) (The minimum number of units under a Development Agreement is three.)

All of the investment figures in Table A and Table B represent approximate costs of establishing each Restaurant based upon the location of the Restaurant and the extent of renovations required. The lower cost is one that would require fewer leasehold improvements and fewer equipment expenditures. The higher cost may require extensive interior renovations and additional equipment. Therefore, it may not be possible to build a Restaurant for the lower total investment cost listed. Because the figures are only estimates of the investment in establishing a single Restaurant unit, it is possible to significantly exceed costs in any of the areas listed above. Actual costs will vary depending on the current condition of the premises. To avoid excessive construction costs, it is strongly recommended that you select contractors carefully by obtaining several competitive bids. These estimates do not include extensive exterior renovations. The figures quoted above do not include applicable taxes, shipping and handling charges. None of these explanations (nor the notes below) are meant to disclaim any of the information provided in this Item 7 (or elsewhere in this disclosure document).

Detailed Notes

- 1 **Initial Franchise Fee.** The franchise fee is \$50,000 as described in Item 5, and is used, in part, to defray our costs for providing training, promotional assistance and materials, site selection guidance and other services. ~~You will pay \$50,000 for each Restaurant that you open and operate.~~

Development Fee. If you sign a Development Agreement, then you will pay the development fee due under that agreement (as described in Item 5). We will apply \$25,000 from the development fee that you paid to us as a credit toward the initial franchise fees, so long as you are in compliance with your obligations under the Development Agreement and all of your Franchise Agreements. For a three-franchise Development Agreement, you would pay a development fee of \$75,000 and for each of the three franchises, we would apply \$25,000 from the development fee toward the total \$50,000 initial franchise fee due under that franchise agreements (leaving a \$25,000 balance to be paid when you sign the franchise agreement). If you sign a Development Agreement for more than three franchises, your total investment will be proportionally more.

- 2 **Initial Training.** You are responsible for making arrangements and paying the expenses for any persons attending the training program, including transportation, lodging, meals and wages. The amount expended will depend, in part, on the distance you must travel and the type of accommodation you choose. The estimate provided contemplates the training of 3 people (you and 2 designees) for approximately four weeks in accordance with the training schedule in Item 11.
- 3 **Business Licenses and Permits.** This estimate may include costs relating to business license requirements, health and safety regulations (including occupancy), employment regulations, food handling regulations, outside patio usage, and beverage and liquor license regulations (including Sunday liquor sales), music and entertainment (including license fees to copyright and other intellectual property owners and vending and gaming licenses). You should not

consider this list as comprehensive. The laws in your state, county or municipality may be more or less stringent. Further, the cost obtaining required business licenses and permits will vary based on your jurisdiction. For example, the cost of obtaining a liquor license in certain parts of the U.S. (e.g., New Jersey) may be substantially higher than what is detailed in the above table. You must obtain and maintain a liquor license for your restaurant at all times. You are advised to examine these laws before purchasing a franchise from us. You may need to hire accountants and/or legal counsel to assist you in obtaining required licenses and permits and other legal compliance, which is shown as a separate entry in the above chart.

- 4 Promotional Materials and Supplies. These include marketing and advertising materials, direct mail pieces and similar promotional items both physical and digital.
- 5 Rent and Security Deposit. You will be responsible for leasing premises suitable for the operation of a Restaurant. The typical Restaurant location will require approximately 6,000 to 8,000 square feet square feet. Your rental expense may vary widely based on geographic location, size of the facility, local rental rates, and other factors, and may be considerably higher in large metropolitan areas with high competition for real estate leases.

The estimates contemplate four months' rent (the first month's rent, no security deposit, and the first three months after you open) for a restaurant in the range of 6,000 to 8,000 square feet at \$30.00 to \$60.00 per square foot per year. If under your lease you are required to pay rent at a higher rate, pay a security deposit for more than one month, pay common-area maintenance charges, and other fees, then your costs will be higher. The landlord may one or more of your principals to provide a personal guaranty.

We cannot estimate the cost if you choose, instead of leasing, to purchase a building, the entire pad, or other real estate.

- 6 Utility Deposits. You may be required to pay deposits before the installation or beginning of service of telephone, gas, electric and other utilities. This estimate excludes utility tap fees which are typically covered by the landlord.
- 7 Business Insurance. You must obtain and maintain, throughout the term of the Franchise Agreement, certain minimum insurance types and coverages. These requirements are more specifically described in Item 8 of this disclosure document. The estimate provided contemplates insurance costs for the first year, which can vary depending on factors such as the type of policies you obtain, the nature and value of your physical assets, gross revenues, cost of sales, payroll costs (for example, number of employees and hours for each member of your staff), square footage, geographical location, size, and contents of the business, and other factors bearing on risk exposure and mitigation. All of these policies must cover us, BLH, and our affiliates (as well as including us, BLH, and any entity in which we have an interest and each of our members, managers, shareholders, directors, officers, partners, employees, servants and agents, all as additional insured parties), include the endorsements, and meet other technical requirements that are provided in the Franchise Agreement.
- 8 Construction Costs. The cost of construction depends upon the size and condition of the premises, the nature and extent of leasehold improvements required, including awning, general construction, permits, architectural fees and legal fees. The location, age and size of the restaurant and the extent of landlord participation in the build-out significantly affect that cost. The lower figure assumes that the cost of leasehold improvements is borne by the landlord through a "TI" allowance for leasehold improvements. The range of figures in the

table above includes the cost of reasonable renovation or leasehold improvements. The extent of the required leasehold improvements may vary widely depending upon the existing facility and modifications required to accommodate a restaurant/kitchen operation. The architect's fee is not included in the total estimate for construction and is shown as a separate entry in the above chart. The estimate is based space in the range of 6,000 to 8,000 square feet at a build-out cost of \$66.67 to \$225.00 per square foot. If you incur higher build-out costs, then your total expenditure will be higher as well.

- 9 Branding Materials, Graphic Design. This estimate includes Bar Louie products to be sold at the Restaurant and the design fees involved in developing these items and other promotional materials.
- 10 Initial Inventory. Your initial inventory must be purchased from approved suppliers in accordance with the Franchise Agreement (as described in Item 8 below). Initial inventory consists of various food products, beverages, paper products, cleaning supplies, printing and other supplies utilized in the initial training phases before opening and then in the operation of the Restaurant. The initial inventory expenditure will vary according to anticipated sales volume and current market prices for supplies.
- 11 Kitchen & Bar Equipment. A list of the equipment necessary for kitchen and bar operations of the Restaurant will be provided to you. It includes refrigerators, freezers, coolers, ovens, fryers, pizza ovens, prep tables, heat lamps and bar taps. You may purchase or lease approved brands and models from approved suppliers. The cost of such items will depend on financing terms available, the size of the brands purchased, and other factors. The lower figure assumes that you are either purchasing used equipment or leasing your kitchen and bar equipment. The higher amount assumes that you are purchasing such items new. The size of the Restaurant also will affect the investment amount.
- 12 Smallwares. You may purchase these items from approved suppliers. The cost of such items will depend on the size of the Restaurant, anticipated customer demand and other factors.
- 13 Point-of-Sale System. The specifications of the point-of-sale system necessary for the operation of the Restaurant are listed in the Manual. You may purchase or lease approved models from approved suppliers. The cost of such system will depend on financing terms available and other factors. The lower figure assumes that you are either purchasing used equipment or leasing. The higher amount assumes that you are purchasing the system new. The cost of the system will depend on the size of the Restaurant, anticipated customer demand and other factors. See Item 11 for further details.
- 14 Fixtures, Tables, Chairs and Office Equipment. The furniture and fixtures necessary for the operation of the Restaurant are listed in the Manual. You also will purchase certain office equipment necessary for the operation of the business, including a small desk and chair, safe, computer system for business operations, fax machine, telephones and miscellaneous office supplies. The cost of such items will depend on financing terms available and other factors. The lower figure assumes that you are either purchasing used or leasing such items. The higher amount assumes that you are purchasing such items new. The amount of interior seating at the Restaurant could result in a higher investment amount. You must use approved suppliers
- 15 Grand Opening. You must spend a minimum of \$10,000 on grand opening advertising during a 30 day period within 90 days after opening your Restaurant. At the direction of the Marketing

team, you will spend such amounts on digital and social assets, local newspaper, direct mail advertising or promotional items and through other media. We will provide detailed guidance on your grand-opening marketing and design all creative assets.

- 16 Additional Funds. The additional funds figure provided in this table is working capital needed to operate the Restaurant during the initial 3 month period including amounts for employees' salaries, rent, utilities, monthly license fees, inventory, and supplies. This may vary based on a number of factors, including the salaries you pay, the size and location of your premises, and your management skills, experience and level of participation in the operation of the Restaurant, and the amount of revenue during the initial period. It is always prudent to have some cash reserves available to cover initial operating expenses, and the figures quoted above are our estimates of what you may need, but the actual amount may be higher or lower than these estimates. The estimates in this Item 7 do not account for the impact of future inflation.
17. As discussed in Note 3 above, this does not include liquor license costs in states where the amount may be in excess of the usual (such as New Jersey, where a liquor license may cost up to \$1.5 million).

Additional Notes

18. Any fees paid to us are not refundable except as outlined in Items 5 and 6; fees paid to any third party may be refundable, depending upon the contracts, if any, between such third party and you.
19. We relied on our experience and the experience of our officers in the restaurant business to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.
20. We do not offer any financing for your initial investment, and the availability and terms of financing to you by others will depend upon such factors as the availability of financing in general, your creditworthiness, the collateral that you may have and policies of lending institutions concerning the type of business you will operate.
21. If you sign a Development Agreement, then (as described in Item 5) when you do so, you must pay us a development fee of \$25,000 multiplied by the number of Bar Louie restaurants you agree to open under the Development Agreement, and you will receive a credit of \$25,000 against the initial franchise fee each time you execute a Franchise Agreement for a restaurant that is required to be developed under the Development Agreement. The Development Fee is not refundable under any circumstances. You must develop three or more restaurants under a Development Agreement.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must purchase the use of a data management platform from a supplier we designate. The designated supplier compiles data for our entire system. Currently we are the designated supplier of the data management platform license. We provide you specifications for the computer software and hardware of the point-of-sale system you must use (See Item 11). You must purchase certain food and drink products from a designated supplier.

You must purchase and use only such equipment, fixtures and furnishings as we may designate or approve. You may not sell or otherwise distribute products or services bearing the trademarks except through retail sales at the Restaurant without our prior consent. A list of approved manufacturers, suppliers and distributors authorized for the Restaurant (“**Approved Vendors List**”) and a list of approved inventory, products, fixtures, furniture, equipment, signs, stationery, supplies, food, beverages, and other items or services necessary to operate the Restaurant (“**Approved Supplies List**”) will be provided in the Manual.

If you would like to sell or use any product, material or supply or purchase any products from a supplier not on either of these lists, you must notify us and may need to submit samples and other information to us so that we can make an informed decision as to whether such product or supplier meets our standards. [You may not use a supplier without our prior written approval.](#) Our criteria for approving suppliers are not available to franchisees. You may be charged for the costs of our testing of a product or supplier. [Any additional cost of approving a new product or supplier will be your responsibility.](#) We will typically approve or disapprove submitted suppliers or items within 30 ~~days~~-business days. If any approvals are later revoked, we will notify you in writing.

We are not responsible for the performance or activities of any third party supplier, and therefore, are not liable to you for any supplier’s failure to perform or provide services or products to you. Any item used in the Restaurant that is not specifically required to be purchased in accordance with the Approved Vendors List or the Approved Supplies List will conform to our established standards and specifications. You must obtain prior written consent from Company before using any substitute supplies. We may add to or delete items from the Approved Vendors List and Approved Supplies List, and such changes will be documented in the Manual.

Currently, we are not an approved supplier of any products or services other than the required data management platform. Our affiliates are not approved suppliers. Currently none of our officers owns an interest in an approved supplier.

We apply the following general criteria in approving a proposed supplier:

- i. Ability to make product in conformity with our specifications;
- ii. Willingness to protect the secrets behind the uniqueness of a product without dissemination to others;
- iii. Production and delivery capability;
- iv. Integrity; and
- v. Financial condition.

Our criteria for approving a proposed supplier will be made available to you in the Manual.

Our specifications and standards for purchasing also are in the Manual, as modified periodically.

You must purchase insurance meeting our minimum specifications as described Item 7.

We anticipate that the cost of products and services which you must purchase from designated or approved suppliers or following our specifications on an ongoing basis will be approximately 35% to 40% of your monthly operating costs. We anticipate that the portion of your total investment in establishing the Restaurant that are purchases from designated or approved suppliers or purchases following our specifications will range from 60% to 70%.

~~We currently do not receive rebates from any approved supplier based on franchisee purchases, but reserve the right to do so in the future.~~ Currently there are no purchasing cooperatives for Bar Louie restaurants. We negotiate group rates for purchases by our franchisees.

None of the approved suppliers are affiliated with us. During our fiscal year ending December ~~25, 2022~~31, 2023, we received payments from franchisees (which were on a pass-through basis) in the amount of ~~\$154,317~~103,512 (this amount was not revenue for us, but if it ~~was~~were, those amounts would have represented ~~5.64~~4.1% of our total gross revenue of ~~\$2,762,492~~555,451). We currently do not derive revenue from any other purchases by franchisees, but we may do so in the future.

We do not provide material benefits to franchisees based on a franchisee's purchase of particular products or services or use of a designated or approved supplier.

Insurance. You must obtain and maintain, throughout the term of the Franchise Agreement, certain minimum insurance types and coverages, including:

- commercial general liability insurance protecting against any and all claims for personal, bodily and/or property injury occurring in or about the Restaurant and protecting against assumed or contractual liability under this Agreement with respect to the Restaurant and your operations, with such policy to be placed with minimum limits of \$2,000,000 combined single limit per occurrence and ~~\$34~~34,000,000 general aggregate per location;
- ~~comprehensive~~ automobile liability insurance, including owned, non-owned and hired car coverage providing third party liability insurance, covering all licensed vehicles owned or operated by or on behalf of you, with limits of liability not less than \$2,000,000 combined single limit for both bodily injury and property damage;
- statutory workers' compensation insurance and employer's liability insurance for a minimum limit equal to at least the greater of \$1,000,000 or the amounts required as underlying by your umbrella carrier, as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Restaurant is located;
- ~~data theft and cybersecurity~~cyber liability coverage with limits of liability not less than 1,000,000 combined single limit;
- employment practices liability insurance with limits of liability not less than \$1,000,000 combined single limit; including third party coverage;
- workplace violence (active assailant) insurance with limits of liability not less than \$1,000,000 combined single limit;
- trade name restoration coverage including foodborne illness ~~coverage shall be included within the general liability coverage noted above~~, with coverage of at least \$1,000,000 ~~combined single limit for both bodily injury and property damage (if not included in general liability coverage)~~;

- liquor ~~Liability~~liability coverage with limits of liability not less than \$1,000,000 per occurrence and \$2,000,000 combined single limit in the aggregate for both bodily injury and property damage;
- commercial umbrella liability insurance with limits which bring the total of all primary underlying coverages (commercial general liability, ~~comprehensive~~liquor liability, automobile liability, and employers' liability) to not less than \$5,000,000 total limit of liability (to provide at least those coverages and endorsements required in the underlying policies);
- property insurance providing coverage for direct physical loss or damage to real and personal property in minimum coverage of \$500,000 current replacement cost for the building and \$250,000 current replacement cost for contents coverage (with no more than a \$10,000 deductible) for all risk perils, including the perils of flood and earthquake (plus appropriate coverage for boiler and machinery exposures and business interruption/extra expense exposures, written on an actual loss sustained basis, as well as coverage for food spoilage of at least \$50,000, including wind or named storm deductible at 2% with \$25,000 minimum per occurrence deductible);
- professional indemnity insurance providing coverage for loss or damage arising out of an act or omission of the franchisee or its employees, with a total liability limit of at least \$2,000,000; and
- No coverages listed above should contain any of the following exclusions:
 - Assault and Battery
 - Abuse and Molestation
 - Firearms/Deadly Weapons
 - Sex Trafficking
 - Punitive Damages
- any other insurance coverage that is required by federal, state, or municipal law.

ITEM 9:**FRANCHISEE'S OBLIGATIONS**

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

	Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	1.2, 5	9.2, 10	11, 12
b.	Pre-opening	5, 6, 7,, and 14	Not applicable	11
c.	Site development and other pre-opening requirements	3.2, 5.2, 5.4,, and 5.7	10	5, 6, 7, 11
d.	Initial and ongoing training	3.1 and 6	Not applicable	11

	Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
e.	Opening	3.3, 3.7, 5.1, 5.4, 5.7, and 8.2	10	5, 6, 7, 11
f.	Fees	2.2.6, 4, and 16.5.9	4	5, 6
g.	Compliance with standards and policies/The Manual	1.5, 3.4, 5, 7, 8.1, and 10	10	8, 11, 15
h.	Trademarks and proprietary information	1.1 and 9	8	13, 14
i.	Restrictions on products/services requirements	1.5 and 7	Not applicable	8, 16
j.	Warranty and customer service requirements	8	Not applicable	15
k.	Territorial development and sales quotas	1.3	2 and Exhibit A	12
l.	Ongoing product/service purchases	7	Not applicable	8
m.	Maintenance, appearance and remodeling requirements	5 and 8.6	Not applicable	11
n.	Insurance	15	Not applicable	7, 8, 11
o.	Advertising	3.5, 3.6, and 13	Not applicable	6, 11
p.	Indemnification	21 and Ex. C	11.8 and 15	14
q.	Owner's participation	8.7	Not applicable	11, 15
r.	Records/reports	4.2, 12, and 15.7	Not applicable	6, 11
s.	Inspections/audits	3.7, 8.11, and 12	Not applicable	6, 11
t.	Transfer	8.10, 16, and 19.5	11.3 and 12	17
u.	Renewal	2.2	Not applicable	17
v.	Post-termination obligations	11.1.1, 12.1.2, 18, 19.3, and 19.5	11.5, 11.6	17
w.	Non-competition covenants	19	11.6	17

	Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
x.	Dispute resolution	27	11.13	17
y.	Taxes/permits	5.4, 8.8, and 20	4.3, 10.1	Not applicable
z.	Other: Personal Guarantee	Ex. B	Ex. B	Not applicable

ITEM 10: FINANCING

We do not offer direct or indirect financing of the initial franchise fee. We do not guaranty any of your Note or lease obligations.

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

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

We are required to provide certain assistance and service to you.

Before you open your Restaurant:

Pre-Opening Obligations

- (i) Provide you with written notice of approval or disapproval of the proposed site ~~within 30 business days after receiving for~~ your ~~site evaluation report.~~ Restaurant. (Franchise Agreement, Section ~~4.15~~)
- ~~(ii) If you have executed a Development Agreement, upon our approval of a site, we will give you a copy of our then-current Franchise Disclosure Document, if required by applicable law, together with two execution copies of a Franchise Agreement for the site. (Development Agreement, Section 4(d))~~
- ~~(iii)~~ (ii) Approve the lease for the Restaurant site, which must include the Agreement with Landlord ~~that is (Exhibit 2-UH to the Franchise Agreement.)~~ . (Franchise Agreement, Section ~~5.4.1~~)
- ~~(iv)~~ (iii) Train you and your designated general and assistant managers before beginning Restaurant operations. (Franchise Agreement, ~~Section 5~~ Sections 3.1, 6)
- ~~(v) Loan (iv) We will lend you one copy of the Manual, which may be made up of one (or more manuals, and which contains mandatory and suggested specifications, standards and procedures. The Manual is provide you with access to) our confidential and remains our property. We may modify the Manual. brand manuals and other written instructions relating to the operation of a Bar Louie Restaurant. (Franchise Agreement, Section 6.2)-3.4.~~

- (v) We will ~~give you~~evaluate the ~~opportunity to view the current Manual~~Franchised Business before ~~you sign the~~it first opens for business. (*Franchise Agreement, Section 3.7*).
- (vi) ~~Provide you with copies of the~~We will make available our standard ~~business forms designated in the Manual.~~layout, design and image specifications for a Bar Louie Restaurant (including the exterior and interior design and layout, fixtures, furnishings, equipment, and signs). (*Franchise Agreement, Section 63.2*).

Continuing Obligations

We are required to provide certain assistance and service to you during the time when you are operating your Franchised Business:

- (i) You ~~will~~must submit to us for our approval all promotional materials and advertising you use, including newspapers, radio and television advertising, internet advertising and social media content, specialty and novelty items and signs. We will attempt to reply to your request as promptly as possible. If we do not disapprove in writing any advertising or promotional item submitted to us within ~~15~~14 business days of receipt, the particular materials will be deemed approved. (*Franchise Agreement, Section 12.3.1*13.10)
- (ii) ~~We will establish guidelines~~You must spend a minimum of \$5,000 for grand opening ~~advertising~~marketing and ~~will provide guidelines to you before or during the initial training program. You must spend at least \$10,000 during the first 30 days of operation of the Restaurant on digital and social assets, newspaper, direct mail advertising or promotional items through other media. The~~programs in conjunction with the Franchised Business's initial grand opening ~~advertising will be conducted in accordance with the Manual, pursuant to a grand opening marketing plan that you develop and that we approve in writing~~ (*Franchise Agreement, Section 12.4*13.7). We do not currently have an advertising council comprised of franchisees that advise us on marketing.
- (iii) We have established the Marketing Fund, and you must contribute to the Marketing Fund an amount not to exceed 4.5% of your Gross Sales. (See Item 6 for current required contribution). This contribution requirement is in addition to all other amounts due under the Franchise Agreement. We direct all advertising programs with sole discretion over the creative concepts, materials and media used in these programs and their placement and allocation. Currently, the media used includes print advertising, radio, internet, digital, and social media, as well as mobile media. The media coverage is local, regional and national (as to social media and satellite radio) in scope. We undertake no obligation in administering the Marketing Fund to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that you or any other particular franchisee benefits directly pro rata from the placement of advertising. Our affiliate-owned restaurants offering products and services similar to the Restaurant do not contribute to the Marketing Fund. The funds may be used to meet any costs of maintaining, administering, directing, producing and preparing promotions and advertising (including the cost of public relations; advertising; and producing promotional brochures and other marketing materials to franchisees in the System). Currently, the source of the advertising is both in-house and an outside agency. Neither we nor our affiliate will be compensated for providing

services to the Marketing Fund, except for the proportionate share of salaries, costs and overhead that we may incur in the Marketing Fund's administration. It is anticipated that all contributions to the Marketing Fund will be expended for advertising and promotional purposes during our fiscal year within which the contributions were made. All expenditures in the following fiscal years will be made first out of any current interest or other earnings of the Marketing Fund, next out of any accumulated earnings and finally from principal. We do not intend to use any monies from the Marketing Fund to solicit new franchisees.

In our fiscal year ended December ~~25, 2022~~31, 2023, the Marketing Fund contributions were expended as follows:

	FY 2022 <u>2023</u>
Agency fee	38 <u>59</u> %
Media placement	32 <u>25</u> %
Menus	10 <u>1</u> %
Miscellaneous expenditures	6 <u>10</u> %
Print materials	10 <u>5</u> %
Charitable donations	4 <u><1</u> %

None of the funds were used principally to solicit new franchise sales.

In our fiscal year ended December ~~25, 2022~~31, 2023, we did not receive payments from the Marketing Fund; however, our affiliate received payments from the Marketing Fund for administrative services. Financial statements of the Marketing Fund for the most recent fiscal year will be available for review by franchisees upon written request. Financial statements will not be audited.

(iv) We have the right (but not the obligation) to create regional advertising funds. So far, we have not yet done so. If we create a regional fund, then the following points will apply to that fund (*Franchise Agreement, Section ~~11~~13.4*):

- We will have the right to designate any appropriate geographic region for regional fund advertising.
- If we establish a regional fund for your area, then you must participate in (and contribute to) your local regional fund.
- A majority of the Bar Louie Restaurant owners in in the regional fund may vote to increase the amount of each Bar Louie Restaurant owner's contribution to the regional fund by up to an additional two percentage points (that is, 200 basis points) of each Restaurant's Gross Sales.
- Voting will be on the basis of one vote per Bar Louie Restaurant. Each Bar Louie Restaurant that we operate in the region, if any, will have the same voting rights as those owned by our franchisees).
- Voting rights would be limited to the regional fund's activities.

- A majority of the eligible members or the regional fund's board of directors would be able to call a meeting of all members, who will (among other things) be able to review the regional fund's governing documents, all subject to and in accordance with the rules that the members set for themselves. All matters concerning operation of the regional fund would be decided by majority vote of members (with respect to any proposed advertising, promotional plans, or materials, we will have the right to review and approve those proposed uses of our marks).
 - You must contribute to the regional fund in accordance with our instructions (and, if there is a vote to increase each Restaurant's contribution, then you would have to contribute to the fund in accordance with that decision as well).
 - Contributions to the regional fund would be in addition to the amount you must contribute to the Marketing Fund, but would be credited against your local advertising commitment described in this Item 11..
 - Company-owned and affiliate-owned restaurants would contribute to the regional fund on the same basis as franchised restaurants.
 - The regional funds will decide for themselves whether or not to prepare annual or periodic financial statements and make them available for their members' review. We will have the right to form or dissolve a regional fund.
- (v) We will provide guidelines for your local advertising, and any proposed marketing, materials, plans, etc., will require our prior written approval. You must spend at least 3% of Gross Sales each month on local advertising and promotion. You will make these expenditures directly, subject to our approval. (*Franchise Agreement, Section ~~12.3~~13.2.2, 13.5*)
- ~~(vi) We will provide guidelines for your local advertising, and any deviation from these guidelines will require our prior written approval. You must spend 3% of Gross Sales each month on local advertising and promotion. You will make these expenditures directly, subject to our approval. (*Franchise Agreement, Section 12.3*)~~
- ~~(vii)~~(vi) You will comply with all requirements in the Franchise Agreement, Manual and other written policies we supply to you. (*Franchise Agreement, Section 6.1.1, 10.2*)
- ~~(viii)~~(vii) We will update the Approved Supplies List and Approved Vendors List as we deem necessary. (*Franchise Agreement, Section 8.7*)
- ~~(ix)~~(viii) We will modify the System, including the adoption and use of new trade names, trademarks, service marks or copyrighted materials, menu items, products, equipment, or techniques. (*Franchise Agreement, Section 1.3.1.2*)
- ~~(x)~~(ix) We will be available for guidance concerning the operation and management of the Restaurant, and provide on-premises assistance when necessary or appropriate. You must pay our then-current fees and travel and living expenses for on-premises assistance. (*Franchise Agreement, Section 5.4*) ~~In addition, we will provide assistance in recruiting your initial staff. (*Franchise Agreement, Section 6.6*)4~~

- (~~xix~~) We will make periodic visits to the Restaurant to inspect aspects of the operation and management of the Restaurant, and may prepare reports about these visits outlining any suggested changes or improvements and detailing any defaults which are evident as a result of any such visit. We will provide you with a copy of any written report. We will also advise you of problems arising out of the operation of the Restaurant as disclosed by reports you submit to us or by inspections we conduct of the Restaurant. (*Franchise Agreement, Section 12.7*)
- (~~xix~~) We will provide you specifications for the computer software and hardware of the point-of-sale system you must use. (*Franchise Agreement, Section ~~6.7~~14.1*). The required point-of-sale system includes the following:

- The approved brand of retail point-of-sale system
- ~~High-speed internet connection~~
- Color monitor
- Printer
- Scanner
- Cash Drawers
- Receipt Printers
- Keyboard
- ~~Security Camera System~~
- Encrypted and tokenized credit card processing terminals

The system can generate restaurant sales and labor information. The estimated initial cost for leasing or purchasing this system ranges from \$~~10,000 to \$25,000 to \$50,000~~. The estimated annual cost for this system ranges from \$~~1,500~~12,000 to \$~~2,500~~15,000 depending on the services selected. In addition, we require you to use our designated system-wide data management platform. Functions of the data management platform include gift card purchase and redemption, sales polling, sales reporting, loyalty program reporting and punch clock data. The current cost ranges between \$192 and \$268 per month depending on the options chosen. You must also follow our general configuration of the required point-of-sale system which we provide to you and which may change from time to time.

You may also purchase or lease another computer system for e-mail communications with us and for your business operations, including the daily flash and inventory system and daily operation log. The estimated initial cost for purchasing this system is \$5,000. Annual maintenance for the computer system is estimated to be \$200 to \$1,500.

We have no obligation to provide ongoing maintenance, repairs, upgrades or updates to your point-of-sale (POS) system or computer system. ~~There is not a contractual limitation on your obligation~~ You are contractually required to keep your POS and computer system up-to-date and, when necessary, to upgrade or replace those items. There is not a contractual limitation on our ability to access your POS or computer system.

You must provide us with unlimited access to each point-of-sale system and any other computer used in your business by modem or other high-speed connection during normal business hours. We may periodically require you to make additions and

modifications to your systems during the Term to ensure full operational efficiency and communications capability. (*Franchise Agreement, Section ~~6.7~~14.1*)

You will be required to pay our then-current technology fee, as explained in item 6 of this disclosure document. Our technology fee is presently \$500.

Methods Used to Select the Location of the Restaurant

You must select the site for the Restaurant and we will approve or disapprove a proposed site in writing within 30 business days after receipt of your written site evaluation. Our approval of the site is required. (*Franchise Agreement, Section 4.1.2.5*)

If you do not find an acceptable site (as to which we give our written approval) within 90 days after signing the Franchise Agreement, then we will have the right to terminate the Franchise Agreement, without any refunds, and you will no longer have any rights under that agreement. (*Franchise Agreement, Section 4.1.2.5*)

In considering the location for a Restaurant, you should consider availability within, among other locations, retail strip centers, lifestyle centers and other retail outlets, as well as the following additional factors, which we also consider in determining whether to approve your proposed location: (i) potential competition within the retail strip center or immediate vicinity of the Restaurant and area pricing, (ii) the general location and neighborhood where the Restaurant would be located, including population density, market potential and geographic area, (iii) traffic patterns, (iv) availability of parking, (v) physical characteristics of existing buildings, (vi) availability of necessary space for the Restaurant, (vii) local economic conditions, (viii) local labor costs, (ix) local product and supply costs, and (x) master lease terms, if applicable.

For Area Developers, as you establish each location under the Development Agreement, we will determine whether a site you propose is approved based on the then-current factors we apply for considering a proposed site for a new Restaurant.

We do not generally own or lease real estate to our franchisees, and have no plans to do so.

We may periodically provide suggested retail pricing, but you will have the right to set your own prices. We may however, establish reasonable restrictions on the maximum and minimum prices you may charge for the products and services offered and sold at the Restaurant and (subject to applicable law): (a) if we have established a maximum price for a particular item, then you may charge any price for that item up to and including the maximum price we have established; and (b) if we have established a minimum price for a particular item, then you may charge any price for that item that is equal to or above the minimum price we have established.

Typical Length of Time Before Starting to Operate

We estimate that the typical length of time between the signing of the Franchise Agreement, or the first payment of any consideration for the franchise, and the opening of your business is approximately between 90 and ~~360~~275 days after signing the Franchise Agreement. Factors that affect this time period include the satisfactory completion of initial training by your designated attendees, the construction of your Restaurant and/or making leasehold improvements (including obtaining the requisite licenses, permits and approvals), hiring and training personnel and purchasing inventory, among others. You must open the Restaurant within ~~360 days~~nine months after signing the Franchise Agreement unless we otherwise require or approve in writing. Unless

the delayed opening is caused by reasons outside of your reasonable control, if you do not open the Restaurant within this time period, then we will have the right to terminate the Franchise Agreement, without any refunds, and you will no longer have any rights under that agreement. (*Franchise Agreement, Section 4.5*)

You may open a Restaurant under a Development Agreement only by signing a Franchise Agreement for that Restaurant. Typically, you will sign a Franchise Agreement for your first Restaurant at the same time you sign the Development Agreement. As noted above, we estimate the length of time between signing a Franchise Agreement and the opening of your Restaurant will be between 90 and ~~360~~275 days. (*Development Agreement, Section 4.1*)

Manuals

We will make our brand manuals available to you for your review before you sign the Franchise Agreement.

Training

Your initial training will take approximately four weeks and cover the topics on the training chart below. A more complete schedule, including the beginning and ending days and times of each training session, will be given to you before the start of training. The initial training will be conducted as needed for new franchisees. You must complete the initial training before opening of the Restaurant.

TRAINING PROGRAM

Week	Subject	Hours of Classroom Training (Note 1)	Hours of Classroom <u>Onsite</u> Training (Note 1)	Location (Note 2)
1 (Open/Mid)	BAR LOUIE BASICS AND BAR: <ul style="list-style-type: none"> * Company Philosophy * Product Descriptions * 4 Pillars of Operation * Introduction to vendors * Success Routines * Daily Maintenance * Bar Training- Opening and closing procedures, Bar Book, Bar Set up, Drink execution * Inventory * Place and receive * Back of the House (BOH) systems overview * Week One Feedback & Validation 	5	45	Bar Louie Corporate Training Restaurant

Week	Subject	Hours of Classroom Training (Note 1)	Hours of Classroom <u>Onsite</u> Training (Note 1)	Location (Note 2)
2 (Close/Mid)	BOH SERVICE - Hands on Training <ul style="list-style-type: none"> * BOH Training- Opening and closing procedures, Recipe Binder, BOH Set up, Dish execution, Prep procedures * POS Stations * EXPO Stations * Inventory - VTT research * Place and receive Orders * 3rd Party Delivery Training * Products / Packages * Week Two Feedback & Validation 	5	45	Bar Louie Corporate Training Restaurant
3 (Close/Mid)	BUSINESS AND MANAGEMENT <ul style="list-style-type: none"> * Practice Manager on Duty (MOD) Role * Preshifts * Management Shift Change * Ordering and Receiving Product * Practice BOH Systems- Ordering, Franchise Communications, POS System reports, Guest Satisfaction * Serve Safe Certification completion * Management Path inclusive of success routine * Closing Paperwork and Tasks * Par level guides & Waste * Week Three Feedback & Validation 	5	45	Bar Louie Corporate Training Restaurant

Week	Subject	Hours of Classroom Training (Note 1)	Hours of Classroom <u>Onsite</u> Training (Note 1)	Location (Note 2)
4 (Open/Mid)	SALES STRATEGY AND SERVICE <ul style="list-style-type: none"> * Manager Tools * Local Store Marketing Strategies * Profit and Loss * Troubleshooting- zendesk * Required Tools and postings * Communication Board * MALT * Leading from the front * Scheduling for Business * Opening Paperwork and Tasks * Compliance Inspections * Marketing Calendar * Week Four Feedback & Validation * FINAL REVIEW - Questions & Answers 	0	50	Bar Louie Corporate Training Restaurant

Notes:

- 1 These are approximate times and will depend on each session and the attendees.
- 2 Currently, training may be conducted at ~~a corporate~~the nearest certified training restaurant located in one of the following areas: Chicago, Illinois; Dallas/Ft. Worth, locationTexas; Ashburn, Virginia; Tampa, Florida; Denver, Colorado; Tempe, Arizona; Downey, California; Houston, Texas; or St. Charles, Missouri. We have the right to choose among these or other locations.you.

The training program is directed by our Director of Training, ~~Dustin Pasioka~~Lindsay Sawyer, who is assisted by various personnel of our affiliate, including managers of our affiliate-owned restaurants. Ms. Sawyer has been our Director of Company Training & Development and New Store Openings since September 2023. Prior to that, she was Director of Training for Tijuana Flats Tex Mex from November 2018 to August 2023, and Director of Training & Development for Earl Enterprises from July 2018 to November 2018. We reserve the right to make changes in our training staff. ~~Mr. Pasioka joined the Bar Louie brand in April 2013 and served as Manager of Learning and Development from January 2016 to May 2020. He has served as our Director of Training since July 2023. He previously served in a number of other roles, including bartender, trainer, bar manager, kitchen manger, and Director of Human Resources.~~

The instructional material includes appropriate handouts and the Brand Manual and an on-line training resource on the *Bar Louie* SharePoint that is designed to enhance and supplement the classroom and on-the-job training. Most of the time it is reasonable to complete the training in four weeks, but it is up to the Franchise Trainer whether the program will be completed in a different time frame. You and your managers must complete the initial training to our satisfaction before opening the Restaurant, and any failure to do so may result in termination of the Franchise Agreement. (*Franchise Agreement, Section 5*)

We do not charge for the initial training for you and your initial managers, but you must pay their salaries, travel, lodging and related expenses. Initial training is provided sufficiently in advance of the opening of the Restaurant for you to complete the training before you begin to operate the Restaurant at the Franchise Location. Additional training beyond the initial training will be charged at our then-current discounted rates (currently \$500 per day), in addition to the travel, lodging and meal expenses for our instructors if the training occurs away from our designated training center. If you designate new or additional managers after the initial training program, we will provide training to these managers at the then-current rates plus travel, lodging and meals. Any designated managers must successfully complete the Manager in Training Program at another location we designate. You are responsible for the costs of you and your employees in attending this training program. (*Franchise Agreement, Section 5.4*)

We may provide you with proprietary information and related materials for use in training your staff. These materials are the sole property of Bar Louie and must be returned to us when you are finished with the training session unless otherwise noted. (*Franchise Agreement, Section 5.3*)

We may make available to you optional staff training courses, seminars, conferences, or other programs at a location suitable to both you and us or on-line. We do not charge an attendance fee, but you must pay for all travel and living expenses. These elective courses are approximately 1 to 8 hours in duration. (*Franchise Agreement, Section 5.46.3*) Additionally, we periodically may require that previously-trained and experienced franchisees, managers, and other employees attend and successfully complete refresher training programs or seminars to be conducted at a location as we may designate, or on-line. Attendance at any refresher training programs or seminars will be at your sole expense, including all travel and living expenses. (*Franchise Agreement, Section 5.26.3*)

We may hold mandatory annual conferences to discuss Bar Louie products and services, sales techniques, personnel training, bookkeeping, accounting, inventory control, performance standards, advertising programs and merchandising procedures. You and your staff may be required to attend these conferences. We do not charge a conference attendance fee, but you must pay your travel and living expenses. Conferences we require will be held at our Dallas area headquarters or at other locations that we designate.

ITEM 12:

TERRITORY

Franchise Agreement

You will be assigned a protected territory ("**Territory**") for your Restaurant. As long as you are not in default under the Franchise Agreement, we will not establish another franchised, company-owned or affiliate-owned Bar Louie Restaurant in your Territory, except we may establish a Bar Louie Restaurant in a limited use facility within your Territory. A limited use facility includes airports; hotels; railroad stations or other transportation facilities; stadiums, racetracks or other

sport facilities; casinos; theaters, auditoriums, amusement parks or other entertainment facilities; military bases; and food trucks.

We reserve the right both within and outside the Territory, to: (i) offer and sell the same or similar products using our Marks or other marks through any other distribution system, including sales through wholesale distributors, supermarkets and other retail outlets, and the Internet; (ii) offer and sell all products and services which are not part of the Bar Louie System; and (iii) establish restaurants or other food service units selling the same or similar products or services using different marks. We are not required to pay you if we solicit or accept orders from customers inside your territory.

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

Your Territory will be defined as specific geographical area, and a map and/or description of your Territory will be attached as an Exhibit to your Franchise Agreement. The size of each Territory in the system will vary depending on the nature of the particular market in which each franchised restaurant is located, and particularly the density of the population and the demographics of the area surrounding the location of the Restaurant. The minimum radius for an urban setting is typically one-quarter of a mile and the minimum radius for a less densely populated setting it typically three miles.

If your Bar Louie Restaurant is located within a limited use facility, your Territory will be limited to the limited use facility in which your Restaurant is located.

You are not restricted from soliciting or servicing customers outside of your Territory. You are prohibited from engaging in the wholesale sale or distribution of any products offered through the Bar Louie Restaurant, or from distributing any products through alternate channels of distribution, such as mail order or Internet sales.

The franchise is granted for one location approved by us. You must obtain our prior written consent before moving the Restaurant to a new location, which consent we can withhold, and you must pay a relocation fee of \$5,000 plus our actual expenses. . If you wish to relocate, you must identify a new location for the Restaurant, and we will evaluate the proposed new site in accordance with our then-current site selection procedures.

Continuation of your franchise is not dependent on the achievement of a certain sales volume, market penetration or other such contingency.

You are not granted options, rights of first refusal, or similar rights to acquire additional franchises under the Franchise Agreement.

Development Agreement

Under the Development Agreement, you are granted the right to develop and operate Restaurants solely in the specified Development Area which may be one or more cities, counties, or some other defined area. During the term of the Development Agreement, we may not operate, franchise, grant a license, or otherwise establish a Bar Louie Restaurant in the Development Area, except for the franchises granted to you under the Development Agreement, and except that we may establish a Bar Louie Restaurant in a limited use facility within the Development Area. A limited use facility includes airports; hotels; railroad stations or other transportation facilities;

stadiums, racetracks or other sport facilities; casinos; theaters, auditoriums, amusement parks or other entertainment facilities; military bases; and food trucks.

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

Until the termination or expiration of the Development Agreement, you retain your rights to the Development Area as long as you comply with your development and other obligations under the Development Agreement. If you fail to meet any of your obligations under the Development Agreement, including development obligations, or breach any Franchise Agreement signed by you under the Development Agreement, we may terminate your right to develop, open and operate new Bar Louie Restaurants in the Area Development Area, but the termination of the right to development your Development Area will not terminate any rights granted under the Franchise Agreements then in effect between you and Bar Louie. After the expiration of the term of your Development Agreement, we may own, operate, franchise, or license others to operate additional Restaurants anywhere, without restriction, including in your Area Development Area.

Under the Development Agreement, the continuation of your territorial rights is dependent upon your compliance with your development and other obligations under the Development Agreement, as described above.

Bar Louie or its affiliates may establish other franchises or company-owned outlets selling similar products or services under a different trade name or trademark, at any location, regardless of its proximity to any Restaurant which you develop under your Development Agreement. Except as we have expressly provided in the Development Agreement, Bar Louie or its affiliates may license and distribute Bar Louie brand named products and products bearing the Bar Louie mark, including food and beverage products, clothing, souvenirs and novelty items, through any outlet whether or not operating under the Bar Louie name and through and distribution channel, at any location.

As you develop each Bar Louie Restaurant under the Development Agreement, the Territory granted under each Franchise Agreement will be based on our then-current standards for granting territories, which may differ from the territorial protection granted to franchisees under this Disclosure Document.

ITEM 13:

TRADEMARKS

Under the Franchise Agreement, you will be licensed to operate the franchised business under the trademark “Bar Louie” plus other marks that we designate. By “mark,” we mean trademarks, trade names, service marks, logos, and slogans we authorize you to use to identify your Restaurant and the products offered.

Our parent BLH owns the “Bar Louie” trademarks and trademark registrations. Our principal marks, which are registered with the US Patent and Trademark Office (“USPTO”), include:

MARK Mark	Registration Number	Registration Date
BAR LOUIE (Word Mark)	1,823,417	Feb. 22, 1994
BAR LOUIE (Logo) 	3,306,105	Oct. 9, 2007
BAR LOUIE (Word Mark)	3,306,139	Oct. 9, 2007
BAR LOUIE (Logo) 	6,254,463	Jan. 26, 2021
BAR LOUIE THE ORIGINAL GASTROBAR & Design	6,749,798	June 7, 2022

The above-listed registrations and applications appear on the Principal Register of the USPTO. BLH has filed, and intends to file when due, an affidavit of use and an affidavit of incontestability, as well as renewal application, for the registrations listed above.

BLH claims common law rights to the trade names, service marks, trademarks, logos, slogans, and any other trademarks associated with the Bar Louie System used in interstate commerce.

Except as provided above, there are currently no other applications for registration of the trademarks pending in any state nor are there any other effective registrations of the trademarks in any other State.

There are currently no effective material determinations of the USPTO, trademark trial and appeal board, the trademark administrator of this state or any court; pending infringement, opposition, or cancellation; or pending material litigation involving the trademarks. Except as discussed below, there are no infringing uses actually known to us that could materially affect the use of the trademarks in this state or any other state in which the Restaurant is to be located.

Under a License Agreement ("**License Agreement**"), dated June 3, 2021, our parent entity, BLH, licensed us (as the "Licensee") to use the Trademark and to sublicense its franchisees to use the Trademarks in the operation of the Restaurant. The License Agreement is for a twenty-year term with unlimited five-year renewal terms, unless terminated by BLH for our default. If BLH terminates the License Agreement you may be required to stop using our trademarks unless BLH directly licenses your use.

You must use the trademarks as the sole identification of the Restaurant, provided that you also must identify yourself as the independent owner, franchisee, and operator of the Restaurant in the manner we prescribe. You must not use the trademarks as part of any business entity name or with any prefix, suffix, or other modifying words, terms, designs or symbols not specifically authorized by us in writing, and must obtain such fictitious or assumed name registrations as may be required under applicable law, at your expense. You may not use any trademarks in connection with the performance or sale of any unauthorized services or goods or in any other manner not expressly authorized by us in writing. You must display the trademarks on such signage, merchandise, paper goods, uniforms, and other articles in accordance with our instructions, and you must give such notices of trademark and service mark registrations as we specify.

As a franchisee, you are not permitted to create, develop, design, or alter any trademark. You are further not permitted to file any application for registration with the USPTO or any state trademark office on any mark used in connection with selling any goods or services associated with Bar Louie. If you make any such application, you must assign to BLH any and all rights to the application and any registration that issues.

You will not receive any interest in the trademarks. You may not at any time contest the validity or ownership of the trademarks, including any trademarks we authorized or licensed to you after you sign the Franchise Agreement. Any goodwill established in the trademarks by reason of your use will insure to our exclusive benefit.

You must promptly notify us of any suspected infringement of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, or your right to use, the Proprietary Marks licensed under the Franchise Agreement. Under the Franchise Agreement, we will have the sole right to initiate, direct, and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement of the action. We also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. If you used the Proprietary Marks in accordance with the Franchise Agreement, we will defend you at our expense against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use. If you did not use the Proprietary Marks in accordance with the Franchise Agreement, we will defend you, at your expense, against those third party claims, suits, or demands.

You must modify or discontinue using any trademark upon our direction to do so within a reasonable time after receiving notice from us. We are not obligated to compensate you for any costs you incur in connection with such changes.

Upon expiration or termination of the Franchise Agreement, you must discontinue use of the trademarks and remove the trademarks and all other identifying features distinctive to Bar Louie Trademark, Inc. from the Restaurant.

We and our representatives will have the right to enter and inspect your Restaurant to make sure you are complying with our standards.

ITEM 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You must keep the Manual updated and at the Restaurant. If there is a dispute with the contents of the Manual, the terms of our master copy will control. If there is a conflict between the standards, specifications and/or procedures in the Manual, or between the Manual and this Agreement or any other directive from us, we will have final authority to resolve the conflict.

You must also promptly tell us when you learn about unauthorized use of any of our proprietary information. We are not obligated to take any action but will respond to this information as we think appropriate. We are not obligated to indemnify you for losses brought by a third party concerning your use of this information.

You will receive proprietary, confidential and trade secret information from us. You will not disclose any such "confidential information" as defined in the Franchise Agreement, including marketing and merchandising methods, product analysis and selection, skills relating to the development and operation of a Bar Louie Restaurant, techniques, information, trade practices, customer lists or databases, and other proprietary data we disclose to you relating to the franchise without our prior written consent. Confidential information does not include information which you can demonstrate lawfully came to your attention before our disclosure of it; or which, at the time of our disclosure to you, had lawfully become a part of the public domain, through publication or communication by others; or which, after our disclosure to you, lawfully becomes a part of the public domain, through publication or communication by others or as otherwise required by law.

You, your employees or other personnel having access to confidential information will have to sign confidentiality agreements. We will be entitled to equitable remedies, such as injunctive relief, in order to protect our confidential information, the Manual and trademarks.

We and BLH claim copyright protection in the Manual and related materials, and advertisement and promotional materials, although these materials have not been registered with the United States Registrar of Copyrights. These materials are considered proprietary, are considered our property, and may be used by you only as provided in the Franchise Agreement. Although we have not filed an application for a copyright registration for the Manual, we claim a copyright and the information is proprietary. Item 11 describes limitations on the use of the Manual by you and your employees. The Manual belongs to us and you must return it to us upon the expiration or termination of the Franchise Agreement.

There are no patents that are material to the operation of your Restaurant.

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

For each Restaurant, you must employ at least one on-property full-time General Manager, one full-time Kitchen Manager, one full-time Bar Manager, one full-time front of house Manager, and other managers as may be necessary to oversee day-to-day Restaurant operations. You are solely responsible for making all personnel decisions relating to the Restaurant, including hiring, compensation, benefits, scheduling, training, disciplining and firing, and for investigating all allegations of inappropriate behavior by employees in the workplace and making decisions based on the results of such investigations. One of these managers must be on duty at all times the Restaurant is open for business.

If your Managing Owner assumes the on-property full-time role of General Manager, then you will not need to also engage a General Manager; but if at any time you do not have an individual functioning as your General Manager (for example, if they are reassigned, quit, retire, are on leave, etc.), then your Managing Owner must resume serving in that capacity.

Each manager must have completed our initial training and all periodic training. The managers are not required to have any equity interest or ownership in the franchisee entity. The identities of the managers for each Restaurant must be disclosed to us and, if such managers change, we must be notified in writing. If you select a new or additional manager, you must make sure the manager receives training from us. The managers must devote their entire time during normal business hours (approximately 60 hours per week) to the management, operation, and development of the Restaurant.

All personnel performing managerial or supervisory functions, all personnel attending the initial training, periodic training or otherwise receiving additional training and instruction in the methods of operation of the Restaurant, and all persons you employ having access to the Manual or any of our confidential information, must sign non-disclosure and non-compete agreements in a form acceptable to us.

The owners of the Franchise are required to personally guaranty all of the obligations, both monetary and non-monetary, under the Franchise Agreement and will be jointly and severally liable under the guaranty. We will not require other parties to sign a guarantee.

You will not be an agent, legal representative, joint venturer, partner, or employee of Bar Louie. As a franchise, you will be an independent contractor solely responsible for the management and operation of your franchised Restaurant. You would not be authorized to make any contract, agreement, warranty, representation, or create any obligation for us or on our behalf.

Nothing under the Franchise Agreement authorizes you to make any contract, agreement, warranty or representation on our behalf or to incur any debt or other obligation in our name. We assume no liability for you in your conduct of any Restaurant. You must indemnify and hold us harmless against claims resulting from or in connection with your operations as well as any costs in defending them.

ITEM 16: RESTRICTION ON WHAT FRANCHISEE MAY SELL

You must maintain the condition and appearance of the Restaurant consistent with our specifications and standards. You will make no material alterations to the Restaurant nor will you make material replacements of or alterations to the equipment, fixtures or signs of the Restaurant without our written approval. All signage on the exterior and interior of the Restaurant must conform to our signage requirements. Vending machines, amusement devices, video machines or other customer-interactive devices may only be installed in the Restaurant with our prior written consent.

You must offer and sell only those goods and services that we have approved. We may change the approved product offerings and any related merchandising and promotional materials at any time. You must use only displays, forms and other paper and plastic products imprinted with the trademarks.

All food and beverage products must be prepared and served only by properly-trained personnel in accordance with the Manual. All items offered from the Restaurant may be sold only at retail, subject to our brand standards, and to customers (unless we otherwise approve).

We may prescribe standard uniforms and attire for all Restaurant personnel. You may obtain such uniforms and attire from any manufacturer or distributor, so long as the uniforms are of a reasonable quality and conform to our specifications.

We have the right to add other authorized goods and services that you must offer. These changes also may include new, different or modified equipment or fixtures necessary to offer such products and services. There are no limits on our right to make such changes, except that the additional investment required of each Restaurant will not exceed \$100,000 per year or \$350,000 in any 5-year period.

You cannot deliver products and services outside of your Restaurant locations, except for deliveries to customers located within your "Delivery Area" (as defined in the Franchise Agreement). Each "Delivery Area" will be individually negotiated based upon numerous factors including, but not limited to, the trade area, population, and demographics. If you intend to offer delivery service, you must first obtain our written consent and purchase such additional insurance as we may direct. Otherwise you have no limitations on the customers you may serve in your Restaurant. Under the Franchise Agreement, you must follow our brand standards concerning delivery and catering services, which may include requirements as to the menu items to be offered, the marks associated with the products that are part of the delivery and catering program (including certain virtual brands such as the "Mac's and Stack's" mark), and the specific delivery service providers that you must use (as well as the procedure if you wish to propose others).

You must prominently display, by posting a sign within public view on or in the Restaurant (as well as an additional sign in the back of the house visible to your staff), a statement that clearly indicates that you independently own and operate the Restaurant as a "Bar Louie" franchisee and not as our agent.

ITEM 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

The tables that follow lists important provisions of the Franchise Agreement and the Development Agreement. You should read these provisions in the Franchise Agreement and the Development Agreement, which are attached as Exhibits C and D to this disclosure document.

	Provision	Section in Franchise Agreement	Summary
a.	Length of the franchise term	2.1	Ten years from the date you first open your Restaurant to paying customers (or eleven years from the Effective Date, whichever occurs first).
b.	Renewal or extension of the term	2.2	Three additional 10-year terms, subject to certain contractual requirements described in "c" below.
c.	Requirements for you to renew or extend	2.2.1 - 2.2.10	Written notice, renovate/modernize Franchised Business premise, upgrades to computer hardware and software to conform with then-current standards, satisfaction of monetary obligations, not be in default of the Agreement, sign release, pay fee, comply with then current qualification and training requirements, compliance with Franchise Agreement, sign

	Provision	Section in Franchise Agreement	Summary
			our then-current form of Franchise Agreement (which may contain materially different terms and conditions than the original contract).
d.	Termination by you	Not applicable	
e.	Termination by us without cause	Not applicable	
f.	Termination by us with cause	17	Default under Franchise Agreement, abandonment, and other grounds; see § 17 of the Franchise Agreement.
g.	"Cause" defined – curable defaults	17.3	All other defaults not specified in §§ 17.1 and 17.2 of the Franchise Agreement
h.	"Cause" defined – non-curable defaults	17.1 and 17.2	Abandonment, conviction of felony, and others; see § 17.2 of the Franchise Agreement.
i.	Your obligations on termination or non-renewal	18, 19	Cease operating Franchised Business, payment of amounts due, and others; see §§ 18.1 - 18.13.
j.	Assignment of contracts by us	16.1	There are no limits on our right to assign the Franchise Agreement.
k.	"Transfer" by you – definition	16.4.1 - 16.4.4	Includes transfer of any interest.
l.	Our approval of transfer by you	16.4	We have the right to review and approve all proposed transfers.
m.	Conditions for our approval of transfer	16.5	Release, sign new Franchise Agreement, (which may contain materially different terms and conditions than the original contract) , pay transfer fee, and others
n.	Our right of first refusal to acquire your business	16.6	We can match any offer.
o.	Our option to purchase your business	18.4 and 18.5	Upon termination or expiration of the Franchise Agreement, we can acquire any interest which you have in any lease or sublease for the premises and purchase your furnishings, equipment, material, or inventory at cost or fair market value.
p.	Your death or disability	16.7	Your estate must transfer your interest in the Franchised Business to a third party we have approved.

	Provision	Section in Franchise Agreement	Summary
q.	Non-competition covenants during the franchise term	19.2, 19.3, 19.4, 19.5, and 19.6	Includes prohibition on engaging in a " Competitive Business ," which is a full-service bar and grill casual dining restaurant that offers a broad menu of American cuisine items and whose sales of any single category of food or beverage items (such as salads, sandwiches, burgers, tacos, or flatbreads) do not exceed 30% of that restaurant's total offerings or sales .
r.	Non-competition covenants after the franchise is terminated or expires	19.2, 19.3, 19.4, 19.5, and 19.6	Includes a two-year prohibition similar to "q" (above), within the Protected Territory, within five miles of the Protected Territory, and also within any then-existing or planned Bar Louie Restaurant business operated elsewhere.
s.	Modification of the agreement	25	Must be in writing signed by both parties.
t.	Integration/merger clause	25	Only the final written terms of the Franchise Agreement are binding, subject to state law. Any representation or promises outside of the disclosure document and Franchise Agreement may not be enforceable. However, nothing in the integration clause, any other part of the Franchise Agreement, or elsewhere is meant to or will have the effect of disclaiming the information that we provide in this disclosure document.
u.	Dispute resolution by arbitration or mediation	27.3	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief). The Franchise Agreement contains provisions that may affect your legal rights, including a waiver of jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. (The law of your state may also impact this provision.)
v.	Choice of forum	27.2	Any action that you bring must be brought in the courts having jurisdiction over Dallas County, Texas. Any action that we bring may be brought in the state or judicial district where we maintain our principal place of business (currently, Dallas, Texas). (The law of your state may also impact this provision.)
w.	Choice of law	27.1	Texas law applies to the Franchise Agreement. (The law of your state may also impact this provision.)

Development Agreement		
Provision	Section in Development Agreement	Summary
a. Term of the franchise	2	The term of the Development Schedule will be discussed and agreed upon by the parties before entering into the Development Agreement
b. Renewal or extension of the term	Not Applicable	
c. Requirements for you to renew or extend	Not Applicable	
d. Termination by you	Not Applicable	
e. Termination by us without cause	Not Applicable	
f. Termination by us with cause	11 and 13	<p>Failure to meet the Development Schedule, default or termination under the Franchise Agreement, abandonment, and other grounds; see § 17 of the Franchise Agreement. Termination of the Development Agreement does not constitute a default under any of your Franchise Agreements.</p> <p>This clause, like many of those in the Development Agreement, incorporate by reference the corresponding clauses in the Franchise Agreement. Please also see § 11 of the Development Agreement.</p>
g. "Cause" defined - defaults which can be cured	11	All other defaults not specified in § 13 of the Development Agreement; please also see §§ 17.1 and 17.2 of the Franchise Agreement.
h. "Cause" defined - defaults which cannot be cured	11	Abandonment, conviction of felony, termination of a Franchise Agreement, and others; please also see § 13 of the Development Agreement and § 17.2 of the Franchise Agreement.
i. Your obligations on termination/nonrenewal	11	Stop developing new Shops, pay amounts due, pay lost future royalties, and others; please also see §§ 18.1 - 18.11 of the Franchise Agreement.
j. Assignment of contract by us	11 and 12	There are no limits on our right to assign the Development Agreement.

Development Agreement		
Provision	Section in Development Agreement	Summary
k. "Transfer" by you - definition	11	Includes transfer of any interest in you or the Development Agreement.
l. Our approval of transfer by you	11	We have the right to review and approve all proposed transfers.
m. Conditions for our approval of transfer	11 and 12	Your compliance with the agreement, a release, the buyer's signature of a new Development Agreement, (which may contain materially different terms and conditions than the original contract) , the payment of transfer fee, and others; see §§ 16.5.1 - 16.5.10 of the Development Agreement. We may also withhold our consent to a transfer of some, but not all, of the Franchise Agreements separate from one another, and in any case, separate from the rights set forth under the Development Agreement.
n. Our right of first refusal to acquire your business	11	We can match any offer, or the cash equivalent.
o. Our option to purchase your business	11	We can acquire your lease or sublease for the premises, and purchase your equipment, material, and inventory at cost or fair market value after termination or expiration.
p. Your death or disability	11	An interest in Development Agreement must be transferred to a third-party we have approved within six months.
q. Non-competition covenants during the term of the franchise	11	Includes prohibition on engaging in a " Competitive Business ," which is a full-service bar and grill casual dining restaurant that offers a broad menu of American cuisine items and whose sales of any single category of food or beverage items (such as salads, sandwiches, burgers, tacos, or flatbreads) do not exceed 30% of that restaurant's total offerings or sales; please also see §§ 19.2 - 19.6 of the Franchise Agreement.
r. Non-competition covenants after the franchise is terminated or expires	11	Includes a two-year prohibition similar to "q" (above), within the Development Area and within five miles of that area, and also within five miles of any other Bar Louie Restaurant then-operating under the System.
s. Modification of the agreement	14	Must be in writing executed by both parties.

Development Agreement		
Provision	Section in Development Agreement	Summary
t. Integration/ merger clause	14	Only the terms of the Development Agreement are binding. However, nothing in the integration clause, any other part of the Development Agreement, or elsewhere is meant to or will have the effect of disclaiming the information that we provide in this disclosure document.
u. Dispute resolution by arbitration or mediation	11.12	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief). The Development Agreement contains provisions that may affect your legal rights, including a waiver of jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. Please also see Section 27 of the Franchise Agreement, which is incorporated by reference into the Development Agreement. Please also see the various state disclosure addenda and agreement amendments attached to this disclosure document, which contain additional terms that may be required under applicable state law.
v. Choice of forum	11	Any action that you bring must be brought in the courts having jurisdiction over Dallas County, Texas. Any action that we bring may be brought in the state or judicial district where we maintain our principal place of business (currently, Dallas, Texas). (The law of your state may also impact this provision.)
w. Choice of law	11	Texas law applies to the Development Agreement. (The law of your state may also impact this provision.)

ITEM 18:**PUBLIC FIGURES**

We do not currently 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 particular location or under particular circumstances.

We provide information in two tables, below. Please review these tables with the notes that follow in this Item 19.

**Table 1:
Historical Annual Gross Sales Of Franchised Units
Not Located In A Hotel**

The following is a statement of the annual gross sales reached by franchised units that are not located inside a hotel premises for the calendar years ~~2014~~, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, and ~~2022~~2023. This is a historic representation about these franchised outlets. The franchised outlets included in each year were those open for the full calendar year and were not located within the premises of a hotel. ~~All franchised units were included in 2014.~~ For 2015, four franchised units that did not open until after January 1, 2015 are not included. For 2016, one franchised unit that did not open until after January 1, 2016 are not included. For 2017, five franchised units that did not open until after January 1, 2017 are not included. For 2018, one franchised unit was excluded that was not open for the full year. For 2019, five franchised units were excluded that were not open for the full year. For 2020, one franchised unit was excluded that was not open for the full year. For 2021, one franchised unit was excluded that was not open for the full year. For 2022, one franchised unit was excluded that was not open for the full year. For 2023, two franchised units were excluded that were not open a full year. If there is no dollar amount entered in a row for a particular restaurant, the restaurant was not in operation for a full 12 months during that year.

This information was compiled from sales information taken from the point of sale systems in the franchised units through our system-wide data management platform. This information has not been audited and we have not taken any steps to independently verify the accuracy of the information.

As of December 31, ~~2014~~, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, and ~~2023~~2022 there were a total of 20, 24, 25, 22, 20, 24, 21, 21, 20, and ~~20~~17 franchised units in operation (both outside and within a hotel), respectively. The annual gross sales of franchised units in the table below reflects the experience of ~~16 specific franchised units in 2014~~, ~~16~~15 specific franchised units in 2015, ~~20~~19 specific franchised units in 2016, ~~13~~12 specific franchised units in 2017, ~~15~~14 specific franchised units in 2018, ~~13~~12 specific franchised units in 2019, 13 specific franchised units in 2020, 14 specific franchised units in ~~2020~~, ~~15 specific franchised units in 2021~~, and ~~13~~12 specific franchised units in 2022, and 11 specific franchised units in 2023, all of which are not located in a hotel, and should not be considered as the actual or probable annual gross sales that will be realized by any given franchisee.

Table 1:
Historical Annual Gross Sales of Franchised Units
Not Located in a Hotel

	Annual Gross Sales (20142015)	Annual Gross Sales (20152016)	Annual Gross Sales (20162017)	Annual Gross Sales (20172018)	Annual Gross Sales (20182019)	Annual Gross Sales (20192020)	Annual Gross Sales (20202021)	Annual Gross Sales (20212022)	Annual Gross Sales (20222023)
Rest. #1	\$3,734,409 <u>51</u> <u>1,883</u>	\$3,511,883 <u>2</u> <u>953,462</u>	\$2,953,462 <u>42</u> <u>6,376</u>	\$2,426,376 <u>1</u> <u>941,195</u>	\$ Note 1 ,941, 495	Note 1 =	=	=	=
Rest. #2	\$3,993,870 <u>4</u> <u>189,892</u>	\$4,189,892 <u>04</u> <u>1,851</u>	Note 1 \$4,041 ,854	= Note 1	=	=	=	=	=
Rest. #3	\$2,454,433 <u>52</u> <u>9,217</u>	\$2,529,217 <u>45</u> <u>7,995</u>	\$2,457,995 <u>66</u> <u>7,918</u>	\$2,667,918 <u>61</u> <u>6,221</u>	\$2,616,221 <u>48</u> <u>7,222</u>	\$2,487,222 <u>1</u> <u>440,476</u>	\$1,440,476 <u>2</u> <u>260,458</u>	\$2,260,458 <u>37</u> <u>4,485</u>	\$2,374,485 <u>63</u> <u>3,518</u>
Rest. #4	\$3,051,350 <u>17</u> <u>7,717</u>	\$3,177,717 <u>28</u> <u>2,823</u>	\$3,282,823 <u>23</u> <u>8,005</u>	\$3,238,005 <u>25</u> <u>9,627</u>	\$3,259,627 <u>04</u> <u>8,368</u>	Closed \$3,04 8,368	= Closed	=	=
Rest. #5	\$4,195,477 <u>70</u> <u>6,700</u>	\$4,706,700 <u>67</u> <u>5,563</u>	Note 1 \$4,675 ,563	= Note 1	=	=	=	=	=
Rest. #6	\$2,113,503 <u>1</u> <u>780,251</u>	\$1,780,251 <u>60</u> <u>4,439</u>	\$1,604,439 <u>69</u> <u>6,876</u>	\$1,696,876 <u>72</u> <u>3,513</u>	\$1,723,513 <u>71</u> <u>6</u>	\$1,723,716 <u>23</u> <u>4,602</u>	\$1,234,602 <u>99</u> <u>1,579</u>	\$1,991,579 <u>54</u> <u>2,205</u>	\$1,542,205 <u>49</u> <u>0,862</u>
Rest. #7	\$3,525,319 <u>44</u> <u>3,363</u>	\$3,443,363 <u>28</u> <u>3,440</u>	Note 1 \$3,283 ,440	= Note 1	=	=	=	=	=
Rest. #8	\$4,566,236 <u>94</u> <u>6,453</u>	\$4,946,453 <u>71</u> <u>3,542</u>	Note 1 \$4,713 ,542	= Note 1	=	=	=	=	=
Rest. #9	\$2,856,113 <u>90</u> <u>8,992</u>	\$2,908,992 <u>80</u> <u>0,561</u>	Note 1 \$2,800 ,561	= Note 1	=	=	=	=	=
Rest. #10	\$2,371,980	\$2,435,353	\$2,303,068	\$2,146,653	\$2,400,209	\$2,016,885	\$583,535	\$1,226,757	\$1,483,513
Rest. # 11 <u>10</u>	\$1,751,687 <u>57</u> <u>1,991</u>	\$1,571,991 <u>75</u> <u>6,221</u>	\$1,756,221 <u>88</u> <u>1,388</u>	\$1,881,388 <u>76</u> <u>1,616</u>	Closed \$1,76 1,616	= Closed	=	=	=
Rest. # 12 <u>11</u>	\$4,843,656 <u>39</u> <u>2,380</u>	\$4,392,380 <u>3</u> <u>436,951</u>	\$3,436,951 <u>2</u> <u>865,777</u>	Closed \$2,86 5,777	= Closed	=	=	=	=
Rest. # 13 <u>12</u>	\$1,312,506 <u>56</u> <u>9,090</u>	\$1,569,090 <u>74</u> <u>9,231</u>	\$1,749,231 <u>67</u> <u>4,628</u>	\$1,674,628 <u>35</u> <u>6,811</u>	\$1,356,811 <u>25</u> <u>6,156</u>	\$1,256,156 <u>72</u> <u>4,362</u>	\$724,362 <u>1,14</u> <u>3,381</u>	Closed \$1,14 3,381	= Closed

	Annual Gross Sales (20142015)	Annual Gross Sales (20152016)	Annual Gross Sales (20162017)	Annual Gross Sales (20172018)	Annual Gross Sales (20182019)	Annual Gross Sales (20192020)	Annual Gross Sales (20202021)	Annual Gross Sales (20212022)	Annual Gross Sales (20222023)
Rest. #1413	\$2,333,418.842,455	\$1,842,455.144,632	\$2,144,632.894,362	Closed \$1,894,362	Closed	=	=	=	=
Rest. #1514	\$3,537,741.342,371	\$3,342,371.068,715	Note 1 \$3,068,715	Note 1	=	=	=	=	=
Rest. #1615	\$2,977,523.473,471	\$2,473,471.162,875	\$2,162,875.1773,128	Closed \$1,773,128	Closed	=	=	=	=
Rest. #1716	=	\$1,341,664	\$1,341,664.280,644	\$1,280,644.283,303	\$1,283,303.451,298	\$1,451,298.182,672	\$1,182,672.696,543	\$1,696,543.468,806	\$1,468,806.437,751
Rest. #1817	=	\$4,134,906	Note 1 \$4,134,906	Note 1	=	=	=	=	=
Rest. #1918	=	\$2,222,079	\$2,222,079.284,477	\$2,284,477.245,723	\$2,245,723.656,579	\$2,656,579.1815,248	\$1,815,248.3421,019	\$3,421,019.204,373	\$3,204,373.784,817
Rest. #2019	=	\$2,457,116	\$2,457,116.369,243	\$2,369,243.477,481	\$2,477,481.242,758	\$2,242,758.1514,504	\$1,514,504.2766,520	\$2,766,520.666,800	\$2,666,800.110,506
Rest. #2120	=	=	=	\$3,555,852	\$3,555,852.519,889	\$3,519,889.1278,247	\$1,278,247.4089,266	\$4,089,266.017,525	\$4,017,525.3465,428
Rest. #2221	=	=	=	\$2,975,449	\$2,975,449.842,662	\$2,842,662.1901,521	\$1,901,521.3113,984	\$3,113,984.397,670	\$3,397,670.646,440
Rest. #2322	=	=	=	\$1,766,023	\$1,766,023.760,261	\$1,760,261.825,125	\$825,125.1175,506	Closed \$1,175,506	Closed
Rest. #2423	=	=	=	\$2,292,462	\$2,292,462.621,667,856	Closed \$1,667,856	Closed	=	=
Rest. #2524	=	=	=	\$2,188,541	\$2,188,541.027,244	Closed \$2,027,244	Closed	=	=
Rest. #2625	=	=	=	=	=	\$2,469,889	\$2,469,889.3745,167	\$3,745,167.528,576	\$3,528,576.2988,028
Rest. #2726	=	=	=	=	=	\$1,845,043	\$1,845,043.3173,584	\$3,173,584.349,913	\$3,349,913.074,802
Rest. #2827	=	=	=	=	=	\$1,312,339	\$1,312,339.2731,674	\$2,731,674.974,851	\$2,974,851.938,504

	Annual Gross Sales (2014 2015)	Annual Gross Sales (2015 2016)	Annual Gross Sales (2016 2017)	Annual Gross Sales (2017 2018)	Annual Gross Sales (2018 2019)	Annual Gross Sales (2019 2020)	Annual Gross Sales (2020 2021)	Annual Gross Sales (2021 2022)	Annual Gross Sales (2022 2023)	Annual Gross Sales (2023 2024)
Rest. # 29 28	=	=	=	=	=	<u>\$1,190,343</u>	<u>\$1,190,343</u> <u>019,404</u>	<u>\$3,010,404</u> <u>552,224</u>	<u>\$2,552,224</u> <u>ssigned</u>	
Rest. # 30 29	=	=	=	=	=		<u>\$6,727,768</u>	<u>\$6,727,768</u> <u>94</u> <u>5,111</u>	<u>\$6,945,114</u> <u>42</u> <u>9,609</u>	
Average (Mean)	<u>\$3,401,201</u> <u>09</u> <u>2,415</u>	<u>\$3,051,349</u> <u>2</u> <u>857,267</u>	<u>\$2,829,557</u> <u>17</u> <u>1,069</u>	<u>\$2,469,190</u> <u>24</u> <u>5,987</u>	<u>\$2,256,268</u> <u>22</u> <u>3,667</u>	<u>\$2,177,398</u> <u>1</u> <u>441,105</u>	<u>\$1,347,605</u> <u>2</u> <u>932,561</u>	<u>\$2,818,841</u> <u>3</u> <u>168,545</u>	<u>\$3,038,927</u> <u>09</u> <u>0,933</u>	
Number of Restaurants at or above avg	<u>78</u>	<u>89</u>	<u>96</u>	6	<u>76</u>	<u>65</u>	<u>67</u>	<u>76</u>	<u>64</u>	
Pctg of Restaurants at or above avg	<u>44</u> <u>53</u> %	<u>50</u> <u>47</u> %	<u>45</u> <u>50</u> %	<u>46</u> <u>43</u> %	<u>47</u> <u>50</u> %	<u>43</u> <u>38</u> %	<u>40</u> <u>50</u> %	<u>47</u> <u>50</u> %	<u>46</u> <u>36</u> %	
Number of Restaurants below avg	<u>97</u>	<u>810</u>	<u>116</u>	<u>78</u>	<u>86</u>	8	<u>97</u>	<u>86</u>	7	
Median	<u>\$3,014,436</u> <u>17</u> <u>7,717</u>	<u>\$3,043,354</u> <u>2</u> <u>800,561</u>	<u>\$2,629,278</u> <u>08</u> <u>9,420</u>	<u>\$2,146,653</u> <u>21</u> <u>7,132</u>	<u>\$2,245,723</u> <u>13</u> <u>5,001</u>	<u>\$2,022,065</u> <u>1</u> <u>312,339</u>	<u>\$1,278,247</u> <u>2</u> <u>892,962</u>	<u>\$2,766,520</u> <u>3</u> <u>089,612</u>	<u>\$2,974,851</u> <u>98</u> <u>8,028</u>	

**Table 2:
Historical Annual Gross Sales of Franchised Units
Located in a Hotel**

The following is a statement of the annual gross sales reached by a subset of franchised units for the calendar years ~~2014~~, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023~~2022~~. This is a historic representation about our franchised outlets located inside of a hotel premises. The franchised outlets included in each year were those opened by January 1 of that calendar year and that remained in operation as of December 31 of that year. For ~~2014~~, 2015, 2016, 2017, and 2018 all franchised units located in a hotel were included. For 2019, one franchised unit was excluded that was not open for the full year. For 2020, 2021, ~~and 2022~~, and 2023 all franchise units located in a hotel were included.

If there is no dollar amount entered in a row for a particular restaurant, the restaurant was not in operation for a full 12 months during that year.

This information was compiled from sales information taken from the point of sale systems in the franchised units through our system-wide data management platform. This information has not been audited and we have not taken any steps to independently verify the accuracy of the information.

As of December 31, ~~2014~~, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, and 2023~~2022~~ there were a total of 20, 24, 25, 22, 20, 24, 21, 21, 20, and ~~20~~17 franchised units in operation (both outside and within a hotel), respectively. The annual gross sales of franchised units in the table below reflects the experience of 45 specific franchised units in ~~2014~~, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, and 6 specified franchised units in 2023~~2022~~, all of which were located in hotels, and should not be considered as the actual or probable annual gross sales that will be realized by any given franchisee.

**Table 2:
Historical Annual Gross Sales of Franchised Units
Located in a Hotel**

	Annual Gross Sales (2014 <u>2015</u>)	Annual Gross Sales (2015 <u>2016</u>)	Annual Gross Sales (2016 <u>2017</u>)	Annual Gross Sales (2017 <u>2018</u>)	Annual Gross Sales (2018 <u>2019</u>)	Annual Gross Sales (2019 <u>2020</u>)	Annual Gross Sales (2020 <u>2021</u>)	Annual Gross Sales (2021 <u>2022</u>)	Annual Gross Sales (2023 <u>2022</u>)
Restaurant A	\$1, 396,523 <u>470,865</u>	\$1, 470,865 <u>345,153</u>	\$1, 345,153 <u>231,072</u>	\$1, 231,072 <u>293,762</u>	\$1, 293,762 <u>66,582</u>	\$1, 066,582 <u>455,646</u>	\$ 455,646 <u>650,329</u>	\$ 650,329 <u>Re</u> <u>restaurant A</u>	\$ 703,750 <u>1,4</u> <u>70,865</u>
Restaurant B	\$1, 997,619 <u>942,958</u>	\$1, 942,958 <u>773,414</u>	\$1, 773,414 <u>584,506</u>	\$1, 584,506 <u>398,784</u>	\$1, 398,784 <u>46,989</u>	\$1, 046,989 <u>C</u> <u>losed</u>	<u>Closed</u>	<u>Restaurant B</u>	\$ <u>1,942,958</u>
Restaurant C	\$2, 345,841 <u>419,184</u>	\$2, 419,184 <u>441,019</u>	\$2, 441,019 <u>574,989</u>	\$2, 574,989 <u>748,810</u>	\$2, 748,810 <u>73,660</u>	\$2, 773,660 <u>57,810</u>	\$ 857,810 <u>1,2</u> <u>47,770</u>	\$ 1,247,770 <u>R</u> <u>estaurant C</u>	\$ 1,558,084 <u>2,</u> <u>419,184</u>
Restaurant D	\$1, 569,081 <u>725,737</u>	\$1, 725,737 <u>764,662</u>	\$1, 764,662 <u>872,994</u>	\$1, 872,994 <u>786,465</u>	\$1, 786,465 <u>49,844</u>	\$1, 749,844 <u>9</u> <u>65,604</u>	\$ 965,604 <u>1,5</u> <u>92,001</u>	\$ 1,592,001 <u>R</u> <u>estaurant D</u>	\$1, 950,047 <u>25,737</u>
<u>Restaurant E</u>	<u>\$2,435,353</u>	<u>\$2,303,068</u>	<u>\$2,146,653</u>	<u>\$2,400,209</u>	<u>\$2,016,885</u>	<u>\$583,535</u>	<u>\$1,226,757</u>	<u>Restaurant E</u>	<u>\$2,435,353</u>
Restaurant E <u>F</u>	=	=	=	=	=	<u>\$2,908,927</u>	\$ 2,908,927 <u>4,</u> <u>587,540</u>	\$ 4,587,540 <u>R</u> <u>estaurant F</u>	\$ 4,678,349 <u>=</u>
<u>Restaurant G</u>	=	=	=	=	=	=	=	<u>Restaurant</u> <u>G</u>	=
Average (Mean)	\$1, 827,266 <u>889,819</u>	\$1, 889,686 <u>925,463</u>	\$1, 831,062 <u>882,043</u>	\$1, 815,890 <u>925,606</u>	\$1, 806,955 <u>730,792</u>	\$1, 659,269 <u>1</u> <u>54,304</u>	\$1, 296,997 <u>8</u> <u>60,879</u>	\$ 2,019,410 <u>A</u> <u>verage</u> <u>(Mean)</u>	\$2, 222,549 <u>1,</u> <u>998,819</u>
Number of Restaurants at or above average	2	2	4 <u>2</u>	2	4 <u>3</u>	2 <u>1</u>	1	4 <u>Number of</u> <u>Restaurants</u> <u>at or above</u> <u>average</u>	4 <u>2</u>
Pctg of Restaurants at or above average	50 <u>40</u> %	50 <u>40</u> %	25 <u>40</u> %	50 <u>40</u> %	25 <u>60</u> %	50 <u>20</u> %	25 <u>20</u> %	25 <u>Pctg of</u> <u>Restaurants</u> <u>at or above</u> <u>average</u>	25 <u>40</u> %

Number of Restaurants below avg	23	23	3	23	32	24	34	3 <u>Number of Restaurants below avg</u>	3
Median	\$1,783,350 <u>42,958</u>	\$1,834,347 <u>73,414</u>	\$1,769,038 <u>72,994</u>	\$1,728,750 <u>86,465</u>	\$1,592,625 <u>49,844</u>	\$1,408,213 <u>57,810</u>	\$911,707 <u>1,247,770</u>	\$1,419,886 <u>Median</u>	\$1,754,049 <u>42,958</u>

Notes to Tables 1 and 2:

- 1) We acquired these restaurants, so they did not operate as a franchised restaurant for the full 12 months of the year indicated. [In 2023 a franchisee assigned their assets to BLH Acquisition Co., LLC.](#)
- 2) This financial performance representation does not include information concerning profits that may be realized in the operation of a Bar Louie restaurant.
- 3) The term “Annual Gross Sales” as used in the Tables 1 and 2 above mean the total gross sales derived from the operation of the Bar Louie Restaurant in the calendar year shown from all sales of products and services made in, upon, or from the unit, whether for cash, check, credit, or otherwise, less sales tax collected from customers and paid to the applicable tax authorities, any refunds to customers, and sales of gift cards not yet redeemed.
- 4) This financial performance representation does not include any information on expenses or costs that you are likely to incur in operating a Bar Louie. In connection with the operation of Bar Louie restaurant, you will incur food and beverage costs, labor costs, occupancy costs (such as rent or mortgage payments), utilities, royalty and advertising payments to us, advertising and promotional expenses, office and administrative expenses, legal and accounting expenses, insurance expenses, equipment and premises maintenance expenses, taxes, various other general and miscellaneous expenses, debt service and owner’s draw. This is not an all-inclusive list of expenses.
- 5) The franchised units included in the above statement above have offered substantially the same products and services that will be offered by new franchise units. The characteristics of the franchised units included in the above statement do not differ materially from those of an outlet of a new franchise if the outlet were to be established within a hotel.
- 6) Factors that may cause material differences in the annual gross sales of franchise units include the following:
 - Management, business, and marketing experience of the franchise owner and the amount of time the franchise owner spends working in the business
 - Personality and attitude of the franchise owner and the employees in dealing with customers
 - Quality of customer service
 - Quality of products prepared by unit
 - Prices charged to customers
 - Traffic count
 - Location, visibility and accessibility of the unit
 - Square footage of the restaurant premises
 - Demographic factors, including population density
 - Local competition
 - Economic conditions
 - Food trends
 - Local weather
 - Outdoor signage
 - Marketing and promotional efforts

- Culture relating to alcohol usage in the surrounding area
- 7) Factors that may cause material differences in the annual gross sales of franchise units located within a hotel include the following:
- Outside signage
 - Parking
 - Accessibility of restaurant
 - Hotel brand
 - Lobby effect
 - What the typical customer is for the specific hotel
- 8) Please carefully consider the above Explanatory Notes below and other factors in evaluating this information and in making any decision to purchase a franchise. These notes are only meant to provide context, and none of the Explanatory Notes in this Item 19 are meant to disclaim any of the information that we provide above.
- 9) You should make your own independent investigation on the possible sales, costs and profit potential of the franchise business. You should seek the advice of appropriate financial, business and legal advisors in connection with the use of the information contained in this financial performance representation and in estimating potential sales from a Bar Louie franchise restaurant.

Some Restaurants have achieved these sales and cost figures. Your individual results may differ. There is no assurance that you'll reach the same results.

Written substantiation of the data used in preparing this statement will be made available to prospective franchisees upon written request. _____

Other than the preceding financial performance representations, 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 our management by contacting [our CEO](#), Brian K. Wright, [at](#) The Colonnade, 15305 Dallas Parkway – 12th Floor, Addison, Texas 75001 (214.845.4800), the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary for ~~2020~~2021 through ~~2023~~2022 (Note 1)

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021 <u>2020</u>	24 <u>21</u>	21	-3 <u>0</u>
	2021 <u>2022</u>	21	24 <u>20</u>	0 <u>-1</u>
	2022 <u>2023</u>	21 <u>20</u>	20 <u>18</u>	-1 <u>-2</u>
Affiliate-Owned	2021 <u>2020</u>	110 <u>50</u>	50 <u>49</u>	-60 <u>-1</u>
	2022 <u>2021</u>	50 <u>49</u>	49 <u>47</u>	-1 <u>-2</u>
	2022 <u>2023</u>	49 <u>47</u>	47 <u>48</u>	-2 <u>+1</u>
Total Outlets	2021 <u>2020</u>	134 <u>71</u>	71 <u>70</u>	-63 <u>-1</u>
	2022 <u>2021</u>	71 <u>70</u>	70 <u>67</u>	-13 <u>-1</u>
	2022 <u>2023</u>	70 <u>67</u>	67 <u>66</u>	-3 <u>-1</u>

Notes to All Item 20 Tables:

- The data in these tables is as of the end of our fiscal years in ~~2020 (December 27, 2020)~~, 2021 (December 26, 2021), ~~and 2022 (December 25, 2022).~~, and 2023 (December 31, 2023). Our fiscal year ends on the last Sunday of December each year.
- States that are not listed in these tables did not have activity during the relevant period.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
for ~~2020~~2021 through ~~2023~~2022 (Notes 1 and 2)

State	Year	Number of Transfers
All States	2021 <u>2020</u>	0
	2022 <u>2021</u>	0
	2022 <u>2023</u>	0
Totals	2021 <u>2020</u>	0
	2021 <u>2022</u>	0
	2022 <u>2023</u>	0

Table No. 3
 Status of Franchised Outlets for ~~2020~~2021 through ~~2023~~2022 (Notes 1 and 2)

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Acquired by Franchisor	Ceased Ops (Other Reasons)	Outlets at End of the Year
Arkansas	2021 2020	2	0	0	0	0	0	2
	2022 2021	2	0	0	0	0	0	2
	2022 2023	2	0	0	0	0	0	2
Iowa	2021 2020	1	0	0	0	0	0	1
	2022 2021	1	0	0	0	0	0	1
	2022 2023	1	0	0	0	0	0 <u>1</u>	1 <u>0</u>
Illinois	2021 2020	7 <u>5</u>	0	0	0	0	2 <u>0</u>	5
	2021 2022	5	0	0	0	0	0	5
	2022 2023	5	0	0	0	0	0	5
Indiana	2021 2020	5	4 <u>0</u>	0	0	0	4 <u>0</u>	5
	2022 2021	5	0	0	0	0	0 <u>1</u>	5 <u>4</u>
	2022 2023	5 <u>4</u>	0	0	0	0	4 <u>0</u>	4
Kentucky	2021 2020	2 <u>1</u>	0	0	0	0	4 <u>0</u>	1
	2022 2021	1	0	0	0	0	0 <u>1</u>	1 <u>0</u>
	2022 2023	1 <u>0</u>	0	0	0	0	1 <u>0</u>	0
Michigan	2021 2020	0 <u>1</u>	1 <u>0</u>	0	0	0	0	1
	2022 2021	1	0	0	0	0	0	1
	2022 2023	1	0	0	0	0	0	1
South Carolina	2021 2020	1	0	0	0	0	0	1
	2022 2021	1	0	0	0	0	0	1
	2022 2023	1	0	0	0	0 <u>1</u>	0	1 <u>0</u>
Texas	2021 2020	4	0	0	0	0	0	4

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Acquired by Franchisor	Ceased Ops (Other Reasons)	Outlets at End of the Year
	2022 2024	4	0 1	0	0	0	0	4 5
	2022 2023	4 5	4 0	0	0	0	0	5
Wisconsin	2021 2020	1	0	0	0	0	0	1
	2022 2024	1	0	0	0	0	0	1
	2022 2023	1	0	0	0	0	0	1
Totals	2021 2020	24 21	4 0	0	0	4 0	4 0	21
	2022 2024	21	0 1	0	0	0	0 2	24 20
	2022 2023	24 20	4 0	0	0	0 1	2 1	20 18

Table No. 4:
Status of Affiliate-Owned Outlets
For ~~2020~~~~2021~~ through ~~2022~~~~2023~~ (Notes 1 and 2)

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Acquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Alabama	2020	4	0	0	4	0	0
Arizona	2021	0 2	0	0	0	0	0 2
	2022	0 2	0	0	0	0	0 2
Arizona	2020 2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
	2022	2	0	0	0	0	2
California	2021 2020	3	0	0	0	0	3
	2022 2024	3	0	0	0	0	3
	2022 2023	3	0	0	0	0	3
Colorado	2021 2020	8 2	0	0	6 0	0	2
	2024	2	0	0	0	0	2
	2022	2	0	0	0	0	2
Connecticut	2020 2023	2	0	0	2 0	0	0 2
	2024	0	0	0	0	0	0
	2022	0	0	0	0	0	0

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Acquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
D.C.	2020	4	0	0	4	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Florida	2021	2					
	2020	106	0	0	41	0	65
	2021	6	0	0	4	0	5
	2022	5	0	0	0	0	5
Iowa	2020	2					
	2023	45	0	0	0	0	45
Iowa	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Illinois	2021	2					
	2020	72	0	0	50	0	2
	2022	2	0	0	0	0	2
	2021	2	0	0	0	0	2
Maryland	2021	2					
	2020	51	0	0	40	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Massachusetts	2021	2					
	2020	21	0	0	10	0	1
	2021	2	0	0	0	0	1
	2023	1	0	0	0	0	1
Michigan	2021	2					
	2020	85	0	0	30	0	5
	2022	5	0	0	0	0	5
	2023	5	0	0	0	0	5
Missouri	2021	2					
	2020	63	0	0	30	0	3
	2022	3	0	0	0	0	3
	2023	3	0	0	0	0	3
New Jersey	2021	2					
	2020	31	0	0	20	0	1
	2021	4	0	0	0	0	4
	2022	1	0	0	0	0	1
New York	2020	2					
	2023	41	0	0	40	0	01

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Acquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
North Carolina	2021 2020	<u>21</u>	0	0	<u>40</u>	0	1
	2021 2022	<u>4</u>	0	0	0	0	<u>4</u>
	2022	1	0	0	0	0	1
Ohio	2020 2023	<u>121</u>	0	0	<u>90</u>	0	<u>31</u>
<u>Ohio</u>	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
	<u>2023</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
Pennsylvania	2021 2020	<u>63</u>	0	0	<u>30</u>	0	3
	2021 2022	<u>3</u>	0	0	0	0	<u>3</u>
	2022	3	0	0	1	0	2
Rhode Island	2020 2023	<u>42</u>	0	0	<u>40</u>	0	<u>02</u>
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
South Carolina	2021 2020	<u>40</u>	0	0	<u>40</u>	0	0
	2021 2022	<u>0</u>	0	0	0	0	<u>0</u>
	2022	0	0	0	0	0	0
	<u>2023</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>1</u>
Tennessee	2021 2020	3	0	0	0	0	3
	2021 2022	<u>3</u>	0	0	0	0	<u>3</u>
	2022	3	0	0	0	0	3
Texas	2020 2023	<u>123</u>	0	0	<u>40</u>	0	<u>83</u>
<u>Texas</u>	2021	8	0	0	0	0	8
	2022	8	0	0	1	0	7
	<u>2023</u>	<u>7</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7</u>
Virginia	2021 2020	<u>85</u>	0	0	<u>30</u>	0	5
	2022 2024	5	0	0	0	0	5
	2022 2023	5	0	0	0	0	5
Wisconsin	2020	<u>2</u>	0	0	<u>2</u>	0	<u>0</u>
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Totals	2021 2020	<u>11050</u>	0	0	<u>601</u>	0	<u>5049</u>
	2021	<u>50</u>	0	0	<u>4</u>	0	<u>49</u>
	2022	49	0	0	2	0	47
	<u>2023</u>	<u>47</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>48</u>

Table No. 5:
 Projected Openings for Restaurants
 From 12 Months from December ~~26, 2022~~ 31, 2023

State	Franchise Agreements Signed But Not Open	Projected New Franchise Restaurants Opening	Projected New Affiliate-Owned Restaurants Openings
Illinois	0	1	0
<u>Indiana</u>	<u>0</u>	<u>2</u>	<u>0</u>
Total	0	4 <u>3</u>	0

Exhibit F-1 of this disclosure document lists the names, addresses and phone numbers of the Bar Louie franchised restaurants and the Bar Louie restaurants that owned by our affiliate BLH (as of December ~~25, 2022~~ 31, 2023).

Exhibit F-2 is a list of the Bar Louie franchisees that had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business during the fiscal year ended December ~~25, 2022~~ 31, 2023. No franchisees have failed to communicate with us within 10 weeks of when we issued this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Two franchisees have signed a confidentiality clause in a Franchise Agreement, settlement or other contract within the last three years that would restrict their ability to speak openly about their experience with Bar Louie.

ITEM 21:

FINANCIAL STATEMENTS

Attached to this disclosure document are the following exhibits:

- Exhibit E-1 The audited financial statements for our ultimate parent entity, BLH TopCo LLC, for fiscal year ended December 31, 2023, ~~December 25, 2022~~, fiscal year ended December 26, 2021, ~~and period from May 27, 2020 to December 27, 2020.~~
- Exhibit E-2 BLH TopCo LLC's corporate guarantee with respect to our obligations to you under the Franchise Agreement.
- Exhibit E-3 BLH TopCo LLC's unaudited financial statements ~~as of May 21, 2023~~ for the period ending April 28, 2024.

Our fiscal years (and those of BLH TopCo LLC) end on the last Sunday in December.

~~We were formed in May 2020 and cannot include in this Item 21 all three years' financial statements that are required under the FTC Franchise Rule. Until then, the FTC Franchise Rule requires that we provide the attached financial statements for our completed fiscal years.~~

ITEM 22:

CONTRACTS

Attached to this disclosure document are the following exhibits:

Exhibit C The form of our Franchise Agreement and its exhibits.

Exhibit D The form of our Development Agreement and its exhibits.

ITEM 23:

RECEIPT

The last two pages of this disclosure document are identical pages acknowledging receipt of this entire document (including the exhibits). Please sign and return to us one copy; please keep the other copy together with this disclosure document.

EXHIBIT A
LIST OF STATE ADMINISTRATORS

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

<p>CALIFORNIA Commissioner Dep’t of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 / Toll Free: (866) 275-2677</p>	<p>NEW YORK New York State Dep’t of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, New York 10005 (212) 416-8236</p>
<p>HAWAII Commissioner of Securities of the State of Hawaii Dep’t of Commerce & Consumer Affairs Bus. Reg. Div., Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p>	<p>NORTH DAKOTA North Dakota Securities Dep’t State Capitol Dep’t 414 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712</p>
<p>ILLINOIS Illinois Office of the Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p>	<p>RHODE ISLAND Dep’t of Business Regulation Securities Div., Building 69, First Floor John O. Pastore Center - 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527</p>
<p>INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681</p>	<p>SOUTH DAKOTA Div. of Insurance Securities Regulation 124 South Euclid Avenue, Suite 104 Pierre, South Dakota 57501 (605) 773-3563</p>
<p>MARYLAND Office of the Attorney General Securities Div. 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360</p>	<p>VIRGINIA State Corporation Commission Div. of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051</p>
<p>MICHIGAN Michigan Attorney General’s Office Consumer Protection Div., Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, Michigan 48913 (517) 335-7622</p>	<p>WASHINGTON Dep’t of Financial Institutions Securities Div. – 3rd Floor 150 Israel Road, Southwest Tumwater, Washington 98504 PO Box 41200 Olympia WA 98504-1200 (360) 902-8760</p>
<p>MINNESOTA Minnesota Dep’t of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600</p>	<p>WISCONSIN Div. of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139</p>

EXHIBIT B
LIST OF AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

<p>CALIFORNIA Commissioner Dep’t of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 / Toll Free: (866) 275-2677</p>	<p>NEW YORK New York Secretary of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492</p>
<p>HAWAII Commissioner of Securities of the State of Hawaii Dep’t of Commerce & Consumer Affairs Business Reg. Div., Securities Compliance Br. 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p>	<p>NORTH DAKOTA North Dakota Securities Commissioner State Capitol 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712</p>
<p>ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p>	<p>RHODE ISLAND Director of Dep’t of Business Regulation Dep’t of Business Regulation Securities Div., Building 69, First Floor John O. Pastore Center - 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527</p>
<p>INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681</p>	<p>SOUTH DAKOTA Div. of Insurance Director of the Securities Regulation 124 South Euclid Avenue, Suite 104 Pierre, South Dakota 57501 (605) 773-3563</p>
<p>MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360</p>	<p>VIRGINIA Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733</p>
<p>MICHIGAN Michigan Attorney General’s Office Corporate Oversight Div., Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, Michigan 48913 (517) 335-7567</p>	<p>WASHINGTON Director of Dep’t of Financial Institutions Securities Div. – 3rd Floor 150 Israel Road, Southwest Tumwater, Washington 98504 PO Box 41200 Olympia WA 98504-1200 (360) 902-8760</p>
<p>MINNESOTA Commissioner of Commerce Minnesota Dep’t of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600</p>	<p>WISCONSIN Div. of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139</p>

EXHIBIT C

FRANCHISE AGREEMENT AND EXHIBITS



BLH Restaurant Franchises, LLC
Franchise Agreement

BLH Restaurant Franchises, LLC Franchise Agreement

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Exhibits

A	Data Addendum	E	ADA Certification
B	Guarantee, Indemnification, and Acknowledgement	F	Sample Form of Non-Disclosure and Non-Competition Agreement for managerial and non-managerial staff
C	List of Principals	G	Site Selection Addendum
D	ACH - Authorization Agreement for Prearranged Payments (Direct Debits)	H	Agreement with Landlord

BLH Restaurant Franchises, LLC Franchise Agreement

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into as of the date that we have indicated on the signature page of this Agreement (the "**Effective Date**") by and between:

- BLH Restaurant Franchises, LLC, a Delaware limited liability company with its principal place of business at The Colonnade, 15305 Dallas Parkway – 12th Floor, Addison, Texas 75001 ("**we**," "**us**," "**our**", or "**Franchisor**"); and
- _____ a [resident of] [corporation organized in] [limited liability company organized in] and having offices at _____ ("**you**" or the "**Franchisee**").

Introduction

*We own a format and system in the United States relating to the establishment and operation of "Bar Louie" restaurants providing a distinctive menu of handcrafted martinis, cocktails, and made from scratch food items, as well as related approved merchandise (each a "**Restaurant**" or a "**Bar Louie Restaurant**").*

*Among the distinguishing characteristics of a Bar Louie Restaurant are that it operates under our "Bar Louie" System. Our System includes (among other things): handcrafted martinis and cocktails, burgers, flatbreads, salads, sandwiches, desserts and other related products ("**Products**"); confidential and proprietary information and trade secrets; distinctive images, designs, business formats, training methods, procedures, and specifications; distinctive exterior and interior design, decor, color scheme, and furnishings; uniform standards, specifications, and procedures for operations; brand presentation to consumers (including music playlists), procedures for management; software; training and assistance; and advertising and promotional programs (together, the "**System**").*

*We identify the System by means of our Proprietary Marks. Our proprietary marks include certain trade names (for example, the mark "BAR LOUIE" and logo), service marks, trademarks, logos, emblems, and indicia of origin, as well as other trade names, service marks, and trademarks that we may periodically specify in writing for use in connection with the System (all of these are referred to as our "**Proprietary Marks**"). We continue to develop, use, and control the use of our Proprietary Marks in order to identify for the public the source of Products and Services marketed under those marks and under the System, and to represent the System's high standards of quality, appearance, and service.*

We are in the business of developing programming and awarding franchise rights to third party franchisees, such as you. You will be in the business of operating a Bar Louie Restaurant, using the same brand and Proprietary Marks as other independent businesses that operate other Bar Louie Restaurants under the System. We will not operate your Bar Louie Restaurant for you, although we have (and will continue) to set standards for Bar Louie Restaurants that you will have chosen to adopt as yours by signing this Agreement and by your day-to-day management of your Bar Louie Restaurant to our brand standards.

You have asked to enter into the business of operating a Bar Louie Restaurant under our System and wish to obtain a franchise from us for that purpose, as well as to receive the training and other assistance we provide as described in this Agreement. You also understand and acknowledge the importance of our high standards of quality, cleanliness, appearance, and service and the necessity of operating the business franchised under this Agreement in conformity with our standards and specifications.

In recognition of all of the details noted above, the parties have chosen to enter into this Agreement, taking into account all of the promises and commitments that they are each making to one another in this contract, and for other good and valuable consideration (the sufficiency and receipt of which they hereby acknowledge) and they agree as follows:

1 GRANT

- 1.1 *Rights and Obligations.* We grant you the right, and you accept the obligation, all under the terms (and subject to the conditions) of this Agreement:
- 1.1.1 To operate one Bar Louie Restaurant under the System (the “**Franchised Business**”);
 - 1.1.2 To use the Proprietary Marks and the System, but only in connection with the Franchised Business (recognizing that we may periodically change or improve the Proprietary Marks and the System); and
 - 1.1.3 To do all of those things only at the Accepted Location (as defined in Section 1.2 below).
- 1.2 *Accepted Location.* The street address of the location for the Franchised Business approved under this Agreement is specified in Exhibit A to this Agreement, and is referred to as the “**Accepted Location.**”
- 1.2.1 When this Agreement is signed, if you have not yet obtained (and we have not yet approved in writing) a location for the Franchised Business, then:
 - 1.2.1.1 you agree to enter into the site selection addendum (the “**Site Selection Addendum,**” attached as Exhibit G to this Agreement) at the same time as you sign this Agreement;
 - 1.2.1.2 you will then find a site which will become the Accepted Location after we have given you our written approval for that site and you have obtained the right to occupy the premises, by lease, sublease, or acquisition of the property, all subject to our prior written approval and in accordance with the Site Selection Addendum; and
 - 1.2.1.3 you agree that upon our request, you will use a third party location data service that we designate.
 - 1.2.2 We have the right to grant, condition, and/or withhold approval of the Accepted Location under this Section 1.2. You understand, acknowledge, and agree that our review and approval of your proposed location, under this Section 1.2 or pursuant to the Site Selection Addendum, does not constitute our assurance, representation, or warranty of any kind that your Franchised Business at the Accepted Location will be profitable or successful (as further described in Section 5 of the Site Selection Addendum).
 - 1.2.3 You agree not to relocate the Franchised Business without our prior written consent. Any proposed relocation will be subject to our review of the proposed new site under our then-current standards for site selection, and we will also have the right to take into consideration any commitments we have given to other franchisees, licensees, landlords, and other parties relating to the proximity of a new Bar Louie Restaurant to their establishment. If you wish to relocate, then you must pay us a relocation fee of

Five Thousand Dollars (\$5,000) and you also must reimburse us (in advance) for the costs and expenses that we reasonably expect to incur (including if we deem necessary to visit the proposed new location, the costs of travel, lodging and meals for our representatives to visit the proposed location), and our legal fees and related expenses incurred in connection with reviewing, approving, and documenting your relocation of the Franchised Business to a new site (the “**Relocation Expenses**”). The parties will reconcile their payments within thirty (30) days after you have reopened your Restaurant based on a statement of our actual Relocation Expenses, at which time: (a) we will refund to you the unused balance of the funds that you have advanced as compared to our Relocation Expenses; or (b) you agree to pay us the additional amount necessary to fully reimburse us for our Relocation Expenses.

- 1.3 *Protected Territory.* During the term of this Agreement, we will not operate, nor will we grant to any other party the right to operate, a Bar Louie Restaurant within the area designated in the Data Addendum (Exhibit A) as your “**Protected Territory**,” subject to the limitations in Sections 1.4, 1.5, and 1.6 below.
- 1.4 *Our Reserved Rights.* We and our affiliates reserve all rights that are not expressly granted to you under this Agreement. Therefore, among other things, we have the sole right to do any or all of the following (despite proximity to your Protected Territory and/or Franchised Business as well as any actual or threatened impact on sales at your Franchised Business):
- 1.4.1 We have the right to establish, and franchise others to establish, Bar Louie Restaurants anywhere outside the Protected Territory;
 - 1.4.2 We have the right to establish, and license others to establish, businesses that do not operate under the System and that do not use the Proprietary Marks licensed under this Agreement, even if those businesses also offer or sell products and services that are the same as or similar to those offered from the Franchised Business, no matter where those businesses are located;
 - 1.4.3 We have the right to establish, and license others to establish, Bar Louie Restaurants at any Non-Traditional Facility or Captive Market Location (as defined below) inside or outside the Protected Territory;
 - 1.4.4 We have the right to acquire (or be acquired) and then operate any business of any kind, anywhere (but not to be operated as a Bar Louie Restaurant inside the Protected Territory);
 - 1.4.5 We have the right to approve and conduct (and authorize others to conduct) Catering and Delivery services as provided in Section 1.6 below;
 - 1.4.6 We have the right to market and sell our Products and Services, other than from a Bar Louie Restaurant, anywhere (but not from a Bar Louie Restaurant operating inside the Protected Territory); and
 - 1.4.7 We have the right to sell Products and Services using the Proprietary Marks or otherwise, through any method other than that is not a Bar Louie Restaurant (including alternative distribution channels such as e-commerce), anywhere.

1.4.8 Definitions.

1.4.8.1 The term “**Captive Market Location**” is agreed to include, among other things, non-foodservice businesses of any sort within which a Bar Louie Restaurant or a branded facility is established and operated (including for example, hotels and resorts).

1.4.8.2 The term “**Non-Traditional Facility**” includes, among other things, college campuses, schools, casinos, airports and other travel facilities; federal, state, or local government facilities (including military bases); unbranded ghost kitchens; theme and amusement parks; recreational facilities; seasonal facilities; shopping malls; theaters; and sporting event arenas and centers.

1.5 *Limits on Where You May Operate.*

1.5.1 You may offer and sell the Products and Services only: **(a)** in accordance with the requirements of this Agreement and the procedures set out in the Brand Manual (defined below); and **(b)** to customers of the Franchised Business.

1.5.2 You agree not to offer, provide, and/or sell any products or services (including the Products and Services) through any means other than through the Franchised Business at the Accepted Location (so for example, you agree not to offer or sell services or products from satellite locations, temporary locations, mobile vehicles or formats, carts or kiosks, by use of catalogs, the Internet, or through any other electronic or print media).

1.5.3 You agree that you will offer and sell Products from the Accepted Location only to retail customers:

1.5.3.1 Face to face, for consumption on the Restaurant premises;

1.5.3.2 Face to face, for personal carry-out consumption; and/or

1.5.3.3 Through Delivery and/or Catering (subject to Section 1.6 below).

1.6 We have the right (but not the obligation) to approve all proposed catering service (“**Catering**”) and/or delivery service (“**Delivery**”) provided from the Restaurant to customers’ homes, offices, and other locations. In connection with possible Catering and Delivery service, you agree to all of the following:

1.6.1 Any and all Catering and Delivery activities must be conducted in accordance with the terms and conditions stated in this Agreement and the standards that we periodically establish (whether in the Brand Manual, as defined in Sections 3.4 and 10 below, or otherwise).

1.6.2 We have the right to require that any Catering and/or Delivery be conducted by any combination of approved third party vendors, by you directly, by us, and otherwise.

1.6.3 We have the right to grant (as well as the right to revoke) our approval of Catering and/or Delivery services, as well as any vendor that is related to the provision of Catering and/or Delivery service (including delivery service providers or third-party delivery vendors).

- 1.6.4 We have the right to require that any vendor involved in Catering and/or Delivery service meet our standards and requirements.
 - 1.6.5 We have the right to establish, or appoint any other party to establish, a facility anywhere (including within the Protected Territory) to fulfill orders for Catering and/or Delivery service.
 - 1.6.6 We cannot and do not represent that Catering and/or Delivery service will be approved (or that, if approved, will not at a later date be disapproved).
 - 1.6.7 We will not prohibit other Restaurants or any other restaurant or food service business (whether owned or franchised by us or our affiliates) from delivering food to customers at any location.
 - 1.6.8 Our standards concerning Catering and Delivery may include requirements as to the menu items that may be offered as well as the marks associated with the products that are part of the Catering and Delivery program (including certain virtual brands such as the “Mac’s and Stack’s” mark), as well as the specific delivery service providers that you must use (as well as the procedure if you wish to propose others).
- 1.7 In addition to the “Bar Louie” brand, you understand that we may operate (or be affiliated with other companies that operate) businesses under other brand names (whether as company-owned concepts, as a franchisor, and as a franchisee), and also that we may acquire other brands (or be acquired by a company that operates other brands) (collectively, “**Other Brands**”). You understand and agree that this Agreement does not grant you any rights with respect to any such Other Brands and that the restrictions we have agreed to in Section 1.3 above do not apply to any Other Brands.

2 TERM AND RENEWAL

- 2.1 *Term.* The term of this Agreement starts on the Effective Date and, unless this Agreement is earlier terminated in accordance with its provisions, will expire at the earlier of: (a) ten (10) years from the date you first open your Restaurant to paying customers; or (b) eleven (11) years from the Effective Date.
- 2.2 *Renewal.* You will have the right to renew your rights to operate the Franchise Business for three (3) additional successor terms of ten (10) years each, so long as you have satisfied all of the conditions specified in Sections 2.2.1 through 2.2.10 before each such renewal:
- 2.2.1 You agree to give us written notice of your choice to renew at least six (6) months before the end of the term of this Agreement (but not more than one (1) year before the term expires).
 - 2.2.2 You agree to remodel and refurbish the Franchised Business to comply with our then-current standards in effect for new Bar Louie Restaurants (as well as the provisions of Sections 8.9 and 8.10 below).
 - 2.2.3 At the time of renewal: (a) you must be in material compliance with the provisions of this Agreement (including any amendment to this Agreement), any successor to this Agreement, and/or any other contract between you (and your affiliates) and us (and our affiliates); and (b) in our reasonable judgment, you must have been in material compliance during the term of this Agreement, even if we did not issue a notice of

default or exercise our right to terminate this Agreement if you did not meet your obligations.

- 2.2.4 During the then-expiring term of this Agreement (and/or a renewal agreement), you must have timely met all of your financial obligations to us, our affiliates, the Brand Fund, and/or the Regional Fund, as well as your vendors, throughout the term of this Agreement (even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet your obligations).
- 2.2.5 You must sign our then-current form of franchise agreement, which will supersede this Agreement in all respects (except with respect to the renewal provisions of the new franchise agreement, which will not supersede this Section 2), and which you acknowledge and agree may contain terms, conditions, obligations, rights, and other provisions that are substantially and materially different from those spelled out in this Agreement (including for example, a higher percentage royalty fee and marketing contribution). If you are an entity, then your direct and indirect owners must also sign and deliver to us a personal guarantee of your obligations under the renewal form of franchise agreement. (In this Agreement, the term “**entity**” includes a corporation, limited liability company, partnership, a limited liability partnership, and a trust.)
- 2.2.6 Instead of a new initial franchise fee, you agree to pay to us a renewal fee equal to the lesser of Twenty Five Thousand Dollars (\$25,000) or fifty percent (50%) of our then-current initial franchise fee for new “Bar Louie” franchises.
- 2.2.7 You agree to sign and deliver to us a renewal agreement that includes a mutual general release, in a form that we will provide (which will include limited exclusions), which will release all claims against us and our affiliates, and our respective officers, directors, members, managers, agents, and employees. If you are an entity, then your affiliates and your direct and indirect owners (and any other parties that we reasonably request) must also sign and deliver that release to us.
- 2.2.8 You and your personnel must meet our then-current qualification and training requirements.
- 2.2.9 You agree to present to us satisfactory evidence that you have the right to remain in possession of the Accepted Location for the entire renewal term of this Agreement.
- 2.2.10 You must be current with respect to your financial and other obligations to your lessor, suppliers, and all other parties with whom you do business.

3 OUR DUTIES

- 3.1 *Training.* We will provide you with the training specified in Section 6 below.
- 3.2 *Standard Layout and Equipping of a Bar Louie Restaurant.* We will make available, at no charge to you, our standard layout, design and image specifications for a Bar Louie Restaurant, including the exterior and interior design and layout, fixtures, furnishings, equipment, and signs. We have the right to modify our standard layout plans and specifications as we deem appropriate periodically (however, once we have provided those plans and specifications to you, we will not further modify the layout plans and specifications for the initial construction of your Restaurant). We will also provide the site selection and lease review assistance called for under Section 5.3 below.

- 3.3 *Opening and Additional Assistance.* We will provide a representative to be present at the opening of the Franchised Business. We will provide such additional on-site pre-opening and opening supervision and assistance that we think is advisable, and as may be described in the Brand Manual (defined below).
- 3.4 *Brand Manual.* We will lend to you one (1) copy of (or provide you with access to), during the term of this Agreement, our confidential brand manuals and other written instructions relating to the operation of a Bar Louie Restaurant (the "**Brand Manual**"), in the manner and as described in Section 10 below.
- 3.5 *Marketing Materials.* We will assist you in developing the Grand Opening Marketing Program (defined below). We have the right to approve or disapprove all marketing and promotional materials that you propose to use, pursuant to Section 13 below.
- 3.6 *Brand Funds.* We will administer the Brand Fund (as defined in Section 13 below) in the manner set forth in Section 13 below.
- 3.7 *Inspection Before Opening.* We will evaluate the Franchised Business before it first opens for business. You agree to not open the Franchised Business to customers or otherwise start operations until you have received our prior written approval to do so.
- 3.8 *Periodic Assistance.* We will provide you periodic assistance in the marketing, management, and operation of the Franchised Business at the times and in the manner that we determine. We will periodically offer you the services of certain of our representatives, such as an operations manager, and these representatives will periodically visit your Franchised Business and offer advice regarding your operations.
- 3.9 *Services Performed.* You acknowledge and agree that any of our designees, employees, agents, or independent contractors (such as an "area developer") may perform any duty or obligation imposed on us by the Agreement, as we may direct (if so, we will, nonetheless, remain responsible to you for the performance of these obligations).
- 3.10 *Our Decision-Making.* In fulfilling our obligations under this Agreement, and in conducting any activities or exercising our rights pursuant to this Agreement, we (and our affiliates) will always have the right: **(a)** to take into account, as we see fit, the effect on, and the interests of, other franchised and company-owned or affiliated businesses and systems; **(b)** to share market and product research, and other proprietary and non-proprietary business information, with other franchised businesses and systems in which we (or our affiliates) have an interest, and/or with our affiliates; **(c)** to test market various items in some or all parts of the System; **(d)** to introduce new proprietary items and non-proprietary items or operational equipment; and/or **(e)** to allocate resources and new developments between and among systems, and/or our affiliates, as we see fit. You understand and agree that all of our obligations under this Agreement are subject to this Section, and that nothing in this Section will in any way affect your obligations under this Agreement.
- 3.11 *Confirmation of Performance.* After we have performed our pre-opening obligations to you under this Agreement, we may ask that you execute and deliver to us a confirmation (the "**Confirmation of Performance**"), in a form we reasonably request, confirming that we have performed those obligations. If we ask you to provide us with such a certificate, you agree to execute and deliver the Confirmation of Performance to us within three (3) business days after our request. However, if you do not reasonably believe that we have performed all of our pre-opening obligations, you must, within that same three (3) day period, provide us with written notice specifically describing the obligations that we have not performed. Not later than three

(3) business days after we complete all the obligations that you specified in that notice, you agree to execute and deliver the Confirmation of Performance to us. You agree to do so even if we performed such obligations after the time performance was due under this Agreement. The term “pre-opening obligations” means the obligations we have to you under this Agreement that must be performed before your open your Restaurant.

4 FEES; SALES REPORTING

4.1 *Initial Franchise Fee.* You agree to pay us an initial franchise fee of Fifty Thousand Dollars (\$50,000) (the “**Initial Franchise Fee**”). The Initial Franchise Fee is due and payable to us on the day that you sign this Agreement. The Initial Franchise Fee is not refundable and is in consideration of the services that we provide to you in connection with helping you to develop and open your Restaurant.

4.2 *Royalty Fee and Sales Reports.* For each Week during the term of this Agreement, you agree to (a) pay us a continuing royalty fee in the amount equal to five percent (5%) of the Gross Sales (as defined below) of the Franchised Business (“**Royalty Fees**”) (subject to Section 4.2.2 below); and (b) report to us, in the form and manner that we specify, your Gross Sales (a “**Sales Report**”). As used in this Agreement:

4.2.1 the term “**Week**” means a calendar week starting as soon as you open for business each Monday and ending at the close of business on Sunday (which may be on Monday after midnight when the business day started earlier on Sunday comes to a close) (except as indicated in the Brand Manual); and

4.2.2 the term “**Gross Sales**” means all revenue from the sale of all Products and Services and all other income of every kind and nature related to, derived from, or originating from the Franchised Business (whether or not permitted under this Agreement), including barter and the proceeds of any business interruption insurance policies, whether for cash or credit, and regardless of theft, or of collection in the case of credit. Gross Sales excludes: (a) any legitimate and reasonable discounts and/or refunds that you provide to customers; and (b) sales taxes or other taxes that you collect from your customers and actually pay to the appropriate taxing authorities; (c) proceeds from insurance with respect to your property damage or liability; (d) proceeds from any civil forfeiture, condemnation, or government seizure; and (e) the amount of any credits, allowances, adjustments or uncollectible amounts, subject to the limitation that uncollectible amounts cannot exceed one-half of one percent (0.5%) of Gross Sales for any of your fiscal years. Subsequent collections of charged off amounts must be included in Adjusted Gross Sales when they are collected.

4.3 *Due Date.* All payments required by Section 4.2 above and Section 13 below, and the Sales Report required under Section 4.2 above, must be made by ACH (as specified below) (and, to the extent not made by ACH, you must pay and submit those funds so that they are received by us, in our offices) by 12:00 noon (Central time) on Wednesday of each Week based on the Gross Sales of the Franchised Business during the previous Week (that is, the Week just ended). In addition, you agree to all of the following:

4.3.1 You agree to deliver to us all of the reports, statements, and/or other information that is required under Section 12 below, at the time and in the format that we reasonably request.

4.3.2 You agree to establish an arrangement for electronic funds transfer to us, or electronic deposit to us of any payments required under this Agreement. Among other things, to

implement this point, you agree to sign and return to us our current form of “ACH - Authorization Agreement for Prearranged Payments (Direct Debits),” a copy of which is attached to this Agreement as Exhibit D (and any replacements for that form that we deem to be periodically needed to implement this Section 4.3.2), and you agree to: **(a)** comply with the payment and reporting procedures that we may specify in the Brand Manual or otherwise in writing; and **(b)** maintain an adequate balance in your bank account at all times to pay by electronic means the charges that you owe under this Agreement. If we elect to use ACH withdrawal to sweep payment of fees, then you will not be required to submit a separate payment to us unless you do not maintain sufficient funds to pay the full amount due. Accordingly: (a) you agree to maintain a proper and sufficient balance in the account from which your ACH deductions are made to pay all of the fees that are due under this Agreement; and (b) if you do not do so, then you agree to pay us (upon demand) the amounts due and also reimburse us for the bank fees (if any) that we incur as well as a reasonable additional administrative fee that we will have the right to impose.

- 4.3.3 You acknowledge and agree that your obligations to make full and timely payment of Royalty Fees and Marketing Contributions (and all other sums due to us) are absolute, unconditional, fully-earned (by us), and due when you are open and in operation.
- 4.3.4 You agree that you will not, for any reason, delay or withhold the payment of any amount due to us under this Agreement; put into escrow any payment due to us; set-off payments due to us against any claims or alleged claims that you may allege against us, the Brand Fund, the Regional Fund, affiliates, suppliers, or others.
- 4.3.5 You agree that if you do not provide us, as requested, with access to your computer system to obtain sales information or, if we require pursuant to Section 12.1.4 below or otherwise, printed and signed sales reports, then we will have the right to impute your sales for any period using (among other things) your sales figures from any Week(s) that we choose (which may be those with your highest grossing sales), and that you agree to pay the royalties on that amount (whether by check or by our deduction of that amount from your direct debit account).
- 4.3.6 You agree that you will not, whether on grounds of alleged non-performance by us or others, withhold payment of any fee, including Royalty Fees or Marketing Contributions, nor withhold or delay submission of any reports due under this Agreement.
- 4.4 *No Subordination.* You agree: **(a)** not to subordinate to any other obligation your obligation to pay us the royalty fee and/or any other amount payable to us, whether under this Agreement or otherwise; and **(b)** that any such subordination commitment that you may give without our prior written consent will be null and void.
- 4.5 *Late Payment.* If we do not receive any payment due under this Agreement (and if the appropriate marketing fund does not receive payment due) on or before the due date, then that amount will be deemed overdue. If any payment is overdue, then you agree to pay us, in addition to the overdue amount, interest on the overdue amount from the date it was due until paid, at the rate of eighteen percent (18%) per annum (but if a maximum interest rate applies to you under local law, then not more than that maximum rate). Our entitlement to such interest will be in addition to any other remedies we may have. Any report that we do not receive on or before the due date will also be deemed overdue.

- 4.6 *Other Funds Due.* You agree to pay us, within five (5) days of our written request (which is accompanied by reasonable substantiating material), any amounts that we have paid, that we have become obligated to pay, and/or that we choose to pay on your behalf.
- 4.7 *Index.* We have the right to adjust, for inflation, the fixed-dollar amounts under this Agreement (except for the Initial Franchise Fee) to reflect changes in the Index from the year in which you signed this Agreement. For the purpose of this Section 4.7, the term "**Index**" means the Consumer Price Index as published by the U.S. Bureau of Labor Statistics ("**BLS**") (1982-84=100; all items; CPI-U; all urban consumers). If the BLS no longer publishes the Index, then we will have the right to designate a reasonable alternative measure of inflation.

5 FRANCHISED BUSINESS LOCATION, CONSTRUCTION AND RENOVATION

- 5.1 *Opening Deadline.* You are responsible for purchasing, leasing, or subleasing a suitable site for the Franchised Business. You agree to establish the Franchised Business and have it open and in operation within nine (9) months after the Effective Date of this Agreement (the "**Opening Deadline**"). **Time is of the essence.**
- 5.2 *Site for the Restaurant.* As provided in Section 1.2 above, if you do have (and we have not approved in writing) a location for the Restaurant as of the Effective Date, then you must find and obtain the right to occupy (by lease, sublease, or acquisition of the property) premises that we find acceptable to serve as your Restaurant, all in accordance with the Site Selection Addendum.
- 5.3 *Our Review and Your Responsibilities.* Any reviews that we conduct of the proposed site, lease, and other details concerning your site are for our benefit only. In addition:
- 5.3.1 You agree that our review and even our approval of a site, lease, sublease, design plans or renovation plans for the Restaurant does not constitute a recommendation, endorsement, or guarantee of the suitability of that location or the terms of the lease, or sublease, or purchase agreement.
- 5.3.2 You agree to take all steps necessary to determine for yourself whether a particular location and the terms of any lease, sublease, or purchase agreement for the site are beneficial and acceptable to you (including retaining your own legal counsel to review the lease). Additionally, no matter to what extent (if any) that we participate in any lease, sublease, and/or purchase negotiations, discussions with the landlords or property owners, and/or otherwise in connection with reviewing the lease, sublease and/or purchase agreement, you have to make the final decision as to whether or not the proposed contract is sensible for your business, and the final decision as to whether or not to sign the lease, sublease, and/or purchase agreement is yours, and we will not be responsible for the terms and conditions of your lease, sublease, and/or purchase agreement.
- 5.3.3 You agree that: (a) any standard layout and equipment plans that we provide to you, as well as any review and comments that provide to the plans that you develop for your Restaurant, are not meant to address the requirements of any Operating Codes (as defined in Section 8.7 below); (b) our standard plans or comments to your modified plans, will not reflect the requirements of, nor may they be used for, construction drawings or other documentation that you will need in order to obtain permits or authorization to build a specific Restaurant; (c) you will be solely responsible to comply with all local laws, requirements, architectural needs, and similar design and construction obligations associated with the site, at your expense; and (d) our review,

comment, and approval of your plans will be limited to reviewing those plans to assess compliance with our standards (including issues such as trade dress, presentation of Proprietary Marks, and the provision to the potential customer of certain products and services that are central to the purpose, atmosphere, and functioning of Bar Louie Restaurants).

- 5.3.4 We will not review nor may our approval be deemed to address whether or not you have complied with any of the Operating Codes, including provisions of the Americans with Disabilities Act (the "**ADA**"); and you acknowledge and agree that compliance with such laws is and will be your sole responsibility.
- 5.4 *Lease Review.* You agree to provide us with a copy of the proposed lease, sublease, or purchase agreement for the Accepted Location, and you agree not to enter into that lease, sublease, or purchase agreement until you have received our written approval. We have the right to condition our approval of the lease, sublease, or purchase agreement upon the inclusion of terms that we find acceptable and that are consistent with our rights and your responsibilities under this Agreement, including that you and the landlord execute an Agreement with Landlord in the form attached to this Agreement as Exhibit H. You also agree to provide us with a copy of the fully signed lease, including a signed Agreement with Landlord, before you begin construction or renovations as the Accepted Location.
- 5.5 *Preparing the Site.* You agree that promptly after obtaining possession of the Accepted Location, you will do all of the following things:
- 5.5.1 obtain all required zoning permits, all required building, utility, health, sign permits and licenses, and any other required permits and licenses (including a permit to allow you to operate a bar and to serve alcoholic beverages);
- 5.5.2 purchase or lease equipment, fixtures, furniture and signs as required under this Agreement (including the specifications we have provided in writing, whether in the Brand Manual or otherwise);
- 5.5.3 complete the construction and/or remodeling as described in Section 5.6 below, and installation of all equipment, fixtures, furniture and signs and decorating of the Franchised Business in full and strict compliance with plans and specifications for the Franchised Business that we have approved in writing, as well as all applicable ordinances, building codes and permit requirements;
- 5.5.4 obtain all customary contractors' partial and final waivers of lien for construction, remodeling, decorating and installation services; and
- 5.5.5 purchase an opening inventory of Products and other materials and supplies.
- 5.6 *Construction or Renovation.* In connection with any construction or renovation of the Franchised Business (and before you start any such construction or renovation) you agree to comply, at your expense, with all of the following requirements, which you agree to satisfy to our reasonable satisfaction:
- 5.6.1 You agree to employ a qualified, licensed architect or engineer who is reasonably acceptable to us to prepare, for our approval, preliminary architectural drawings and equipment layout and specifications for site improvement and construction of the Franchised Business based upon standard layout, design and image specifications we will furnish in the Brand Manual (depending on whether your Franchised Business will

be operated in a stand-alone facility, and end-cap, or as a retro-fit of an existing building). The materials that you submit to us must include a description of any modifications to our specifications (including requirements for dimensions, interior and exterior design and layout, equipment, fixtures, furnishings, signs, and decorating materials) required for the development of a Franchised Business. Our approval will be limited to conformance with our standard image specifications and layout, and will not relate to your obligations with respect to any applicable Operating Codes, including the ADA. After we have responded to your preliminary plans and you have obtained any permits and certifications, you agree to submit to us, for our prior written approval, final architectural drawings, plans and specifications. We will have the right to request changes and approve, but we will not supervise or otherwise oversee your project. We will not unreasonably withhold our approval of your adapted plans, provided that such plans and specifications conform to our general criteria. Once we have approved those final plans, you cannot later change or modify the plans without our prior written consent.

- 5.6.2 You agree to comply with all Operating Codes, including the applicable provisions of the ADA regarding the construction and design of the Franchised Business. Additionally, before opening the Franchised Business, and after any renovation, you agree to execute and deliver to us an ADA Certification in the form attached to this Agreement as Exhibit E, to certify that the Franchised Business and any proposed renovations comply with the ADA.
- 5.6.3 You are solely responsible for obtaining (and maintaining) all permits and certifications (including zoning permits, licenses, construction, building, utility, health, sign permits and licenses) which may be required by state or local laws, ordinances, or regulations (or that may be necessary or advisable due to any restrictive covenants relating to your location) for the lawful construction and operation of the Franchised Business. You must certify in writing to us that all such permits and certifications have been obtained.
- 5.6.4 You agree to employ a qualified licensed general contractor who is reasonably acceptable to us to construct the Franchised Business and to complete all improvements.
- 5.6.5 You agree to obtain (and maintain) during the entire period of construction the insurance required under Section 15 below; and you agree to deliver to us such proof of such insurance as we may reasonably require.
- 5.7 *Pre-Opening.* Before opening for business, you agree to meet all of the pre-opening requirements specified in this Agreement, the Brand Manual, and/or that we may otherwise specify in writing.
- 5.8 *Reporting Development Costs.* Within ninety (90) days after the Franchised Business first opens for business, you agree to give us a full written breakdown of all costs associated with the development and construction of the Franchised Business, in the form that we may reasonably find acceptable or that we may otherwise require.
- 5.9 *Opening Extension Fee.* If you request (and we grant) an extension of the Opening Deadline, then for each week's extension of the opening date, then you agree to pay us (in advance) an opening extension fee in the amount of Two Thousand Five Hundred Dollars (\$2,500) (which will be pro-rated for any partial week).

6 MANAGING OWNER, PERSONNEL, AND TRAINING

6.1 *Managing Owner and Management.*

6.1.1 If you are an entity, you must have an individual owner serve as your “**Managing Owner**.” The Managing Owner must: (a) supervise the operation of the Franchised Business (except as otherwise provided in Section 6.1.1.1 below); and (b) be the largest stakeholder (that is, owning more than any other party of the voting and ownership interests) in the franchisee entity (unless you obtain our prior written approval for the Managing Owner to hold a smaller interest); (c) have qualifications reasonably acceptable to us to serve in this capacity; (d) complete our training program as described below; (e) have authority over all business decisions related to the Franchised Business; (f) have the power to bind you in all dealings with us; and (g) have signed and delivered to us the Guarantee, Indemnification, and Acknowledgement attached to this Agreement as Exhibit B.

6.1.1.1 You must inform us in writing whether the Managing Owner will assume full-time responsibility for the daily supervision and operation of the Franchised Business.

a. If so, then all of the provisions below applicable to the training of a “General Manager” will apply to your Managing Owner; and

b. If not, then you must employ a full-time general manager (a “**General Manager**”) with qualifications reasonably acceptable to us, who will assume responsibility for the daily operation of the Franchised Business.

6.1.1.2 You must employ at least one (1) general manager (unless your Managing Owner serves in that capacity) and at least one (1) kitchen manager at all times throughout the term of this Agreement, both of whom have successfully completed, to our satisfaction, our initial training program and any additional training that we may require of such persons.

6.1.2 The Franchised Business must at all times be under the active full-time management of either Managing Owner or General Manager (who must have successfully completed our initial training program to our satisfaction).

6.1.3 If your Managing Owner assumes the on-property full-time role of General Manager, then you will not need to also engage a General Manager; but for any period (temporary or long-term) that you do not have an individual functioning as your General Manager (for example, if they are reassigned, quit, retire, are on leave, etc.), then your Managing Owner must resume serving in that capacity.

6.1.4 The term “**Specially Trained Management Personnel**” is agreed to mean the Managing Owner and/or the General Manager, your initial kitchen manager, and any other persons who have successfully completed our initial and ongoing training requirements and possess the qualifications necessary to the management and/or service roles that each such person will perform in operating the Franchised Business.

6.2 *Initial Management Training.*

- 6.2.1 Owners Training. The Managing Owner and/or your General Manager must attend and successfully complete, to our satisfaction, the owners' training program that we offer at our headquarters or another location that we specify.
- 6.2.2 Brand Management Training.
- 6.2.2.1 The General Manager and your initial kitchen manager must attend and successfully complete, to our satisfaction, the brand management training program that we offer at our headquarters or another location that we specify. (Your General Manager will train your subsequently hired general managers and kitchen managers.)
- 6.2.2.2 You may send up to three (3) individuals (including the Specially Trained Management Personnel) to the initial training program.
- 6.3 *Additional Obligations and Terms Regarding Training.*
- 6.3.1 If for any reason your Managing Owner and/or General Manager cease active management or employment at the Franchised Business, or if we revoke the certification of your Managing Owner or your General Manager to serve in that capacity, then you agree to enroll a qualified replacement (who must be reasonably acceptable to us to serve in that capacity) in our initial training program within thirty (30) days after the former individual ended his/her full time employment and/or management responsibilities. The replacement must attend and successfully complete the basic management training program, to our reasonable satisfaction, as soon as it is practical to do so.
- 6.3.2 We may require that you and your Specially Trained Management Employees attend such refresher courses, seminars, and other training programs as we may reasonably require periodically.
- 6.3.3 We may make available to you optional staff training courses, seminars, conferences, or other programs at a location suitable to both you and us or on-line. We do not charge an attendance fee, but you must pay for all travel and living expenses. These elective courses are approximately 1 to 8 hours in duration.
- ~~6.3.3~~ 6.3.4 ____ Your Specially Trained Management Employees, and persons serving in such other capacities as we may designate, must attend and successfully complete (and maintain current certification in) such third-party training that we have the right to require (including courses such as "ServSafe," "ServeSafe Alcohol," and other such programs that we have the right to require).
- ~~6.3.4~~ 6.3.5 ____ Your Managing Owner and/or your General Manager, and persons serving in such other capacities as we may designate, must attend and successfully complete human resources (HR) training conducted by third parties that we have the right to require.
- ~~6.3.5~~ 6.3.6 ____ We may require you to enroll each of your employees in web-based training programs relating to the Products and Services that each will assist in providing to customers of the Restaurant.
- ~~6.3.6~~ 6.3.7 ____ All of your trainees must sign and deliver to us a personal covenant of confidentiality in substantially the form of Exhibit F to this Agreement.

~~6.3.7.6.3.8~~ 6.3.8 Training Costs and Expenses.

~~6.3.7.16.3.8.1~~ 6.3.8.1 We will bear the cost of providing the instruction and required materials, except as otherwise provided in Sections 6.2, 6.4, and 6.5 of this Agreement.

~~6.3.7.26.3.8.2~~ 6.3.8.2 You agree to bear all expenses incurred in connection with any training, including the costs of transportation, lodging, meals, wages, benefits, and worker's compensation insurance for you and your employees.

~~6.3.7.36.3.8.3~~ 6.3.8.3 You also agree to cover all of your employees at all times (including the pre-opening period, and including those attending training) under the insurance policies required in Section 15 below.

~~6.3.7.46.3.8.4~~ 6.3.8.4 We have the right to reduce the duration or content of the training program for any trainee who has prior experience with our System or in similar businesses.

6.4 *Additional On-Site Training.* You may ask us to provide on-site training in addition to that which we will provide to you in connection with the initial training program and/or the opening of the Franchised Business, and if we are able to do so, then you agree to pay us our then-current per diem training charges as well as our out-of-pocket expenses. Additionally, if you do not pass one or more mystery shopping visits and/or inspections, then we have the right to determine that you are not operating your Restaurant in accordance with our brand standards, and we may place you in default of this Agreement and/or require you and/or your employees to complete additional training at the Franchised Business or a location that we designate, at your expense, which will include our then-current per diem training charges and our out-of-pocket expenses for any training conducted at your Franchised Business.

6.5 *Conventions and Meetings.* You agree that your Managing Owner and/or General Manager will attend the conventions and meetings that we may periodically require and to pay a reasonable fee (if we charge a fee) for each person who is required to attend (and, if applicable, additional attendees that you choose to send as well). You will also be responsible for all of the other costs of attendance, including travel, room and board, and your employees' wages, benefits and other expenses.

6.6 You agree to engage the services of a competent full-service human relations (HR) professional to obtain training and ongoing guidance on HR and personnel matters (which may include your own HR lawyer and/or a third party service provider (including as a payroll processing company such ADP or Paychex, and/or a professional employer organization (PEO), subject to our right to approve such service providers under Section 7 below).

7 PURCHASING AND SUPPLY OF PRODUCTS

The requirements of this Section 7 apply to Proprietary Items (Section 7.2), Restaurant Equipment and Supply Items and Retail Products that you must purchase or otherwise source from approved suppliers (Section 7.1), and Restaurant Equipment and Supply Items and Retail Products that you must otherwise purchase or source in accordance with our standards and specifications (Section 7.3).

- 7.1 *Products.* You agree to buy all Products, ingredients, equipment, furniture, supplies, paper products, t-shirts, and other apparel), materials (such as packaging), and other products and services used (or offered for sale) at the Restaurant only from suppliers as to whom we have given you our prior written approval (and whom we have not subsequently disapproved). In this regard, the parties further agree:
- 7.1.1 In determining whether we will approve any particular supplier, we will consider various factors, including: **(a)** whether the supplier can demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards and specifications for such items; **(b)** whether the supplier has adequate quality controls and capacity to supply your needs promptly and reliably; **(c)** whether approval of the supplier would enable the System, in our sole opinion, to take advantage of marketplace efficiencies; and/or **(d)** whether the supplier will sign a confidentiality agreement and a license agreement in the form that we may require (which may include a royalty fee for the right to use our Proprietary Marks and any other proprietary rights, recipes, and/or formulae).
- 7.1.2 For the purpose of this Agreement, the term “**supplier**” includes, but is not limited to, manufacturers, distributors, resellers, and other vendors.
- 7.1.2.1 You acknowledge and agree that ~~-(a) we have the right to appoint only one supplier for any particular Product or item (which may be us or one of our affiliates)-;~~ and (b) we do not and cannot guarantee that any vendor (including us or one of our affiliates) will extend credit to you with respect to the purchase terms.
- 7.1.2.2 If the alcoholic beverage laws that apply to your Franchised Business so require, then nothing in this Agreement will require you to purchase alcoholic beverages (including beer and wine) from a supplier that we have approved or designated.
- 7.1.3 You agree to offer and sell only Products and Services at the Franchised Business. You may not offer or sell anything at the Franchised Business that is not a Service or a Product.
- 7.1.4 If you want to buy any Products or any item from an unapproved supplier (except for proprietary items, which are addressed in Section 7.2 below), then you must first submit a written request to us asking for our prior written approval. You agree not to buy from any such supplier unless and until we have given you our prior written consent to do so. We have the right to require that our representatives be permitted to inspect the supplier’s facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory that we have designated for testing. You (or the supplier) may be required to pay a charge, not to exceed the reasonable cost of the inspection, as well as the actual cost of the test. We have the right to also require that the supplier comply with such other requirements that we have the right to designate, including payment of reasonable continuing inspection fees and administrative costs and/or other payment to us by the supplier on account of their dealings with you or other franchisees, for use of our trademarks, and for services that we may render to such suppliers. We also reserve the right, at our option, to periodically re-inspect the facilities and products of any such approved supplier and to revoke our approval if the supplier does not continue to meet any of our then-current criteria. We are not required to approve any particular supplier, nor to make available our standards, specifications, or formulas to prospective suppliers, which we have the right to deem confidential. We

have the ongoing right to revise (by adding, deleting, limiting, or otherwise conditioning) the list of approved suppliers.

- 7.1.5 You agree we have the right to establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers that are willing to supply all or some Bar Louie Restaurants with some or all of the products and/or services that we require for use and/or sale in the development and/or operation of Bar Louie Restaurants, notwithstanding anything to the contrary contained in this Agreement. In this event, we may limit the number of approved suppliers with whom you may deal, designate sources that you must use for some or all Products and other products and services, and/or refuse any of your requests if we believe that this action is in the best interests of the System or the network of Bar Louie Restaurants. We have the right to approve or disapprove of the suppliers who may be permitted to sell Products to you. Any of our affiliates that sell products to you will do so at our direction. If you are in default of this Agreement, we reserve the right to direct our affiliates not to sell products to you, or to withhold certain discounts which might otherwise be available to you.
- 7.1.6 You acknowledge and agree that we have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "**Allowances**") offered by suppliers to you or to us (or our affiliates) based upon your purchases of Products and other goods and services. These Allowances include those based on purchases of Products, other products, paper goods, ink, and other items (such as packaging). You assign to us or our designee all of your right, title and interest in and to any and all such Allowances and authorize us (or our designee) to collect and retain any or all such Allowances without restriction.
- 7.1.7 If we require you to offer and sell items that bear our Proprietary Marks, or to use items that bear our Proprietary Marks, then you must buy, use, and sell only the items that we require, and you must buy those items only from our approved suppliers.
- 7.1.8 In instances where we believe it is beneficial to the System, we may contract with a vendor and pre-pay some or all of vendor's charges. If so, then upon our written request, you agree to pay us an appropriate proportional share of the base fee that we pre-paid.
- 7.2 *Proprietary Items.* You acknowledge and agree that: (a) we have the right to require that certain items that you offer at the Franchised Business must be produced in accordance with our proprietary standards and specifications (and/or those of our affiliates), and that such items are our proprietary products; and (b) we have the right to require that you purchase and offer branded non-proprietary private-label products at your Restaurant. In order to maintain the high standards of quality and uniformity associated with proprietary items, and other Products and packaging bearing the Proprietary Marks, you agree to purchase those proprietary items and Products, as well as any packaging bearing the Proprietary Marks (and any other products we may now or in the future designate), only from us, our affiliates, and/or our approved suppliers, and not to offer or sell any other such products at or from the Franchised Business. We have the right to determine whether any particular item will be a "**Proprietary Item**."
- 7.3 *Specifications.* In addition to the provisions of Sections 7.1 and 7.2 above, as to those Restaurant Equipment and Supply Items and Retail Products that we do not require you to buy or otherwise source from approved suppliers and that are not proprietary items (as specified

in Section 7.2 above), you agree to purchase or otherwise source those items only in accordance with our written standards and specifications (for example, USDA Grade A milk).

7.4 *Use of the Marks.* You must require all marketing materials, signs, decorations, paper goods (including and all forms and stationery used in the Franchised Business), and other items which we may designate to bear the Proprietary Marks in the form, color, location, and manner we prescribe (and subject to our prior written approval, for example as provided in Section 13.9 below).

7.5 *Manufacturing.* You agree that you will not manufacture any items in the Franchised Business, including products that we have otherwise authorized and approved for production.

7.6 *Wholesaling.* You agree not to sell products to any party that you know or have reason to believe is purchasing those items for resale.

~~7.5~~

8 YOUR DUTIES

In addition to all of the other duties specified in this Agreement, for the sake of brand enhancement and protection, you agree to all of the following:

8.1 *Importance of Following Standards.* You understand and acknowledge that every detail of the Franchised Business is important to you, to us, and to other “Bar Louie” franchisees and licensees in order to develop and maintain high operating standards, to provide superior customer service to customers and participants, to increase the demand for the Products and Services sold, by all franchisees, and to protect and enhance the reputation and goodwill associated with our brand.

8.2 *Opening.* In connection with the opening of the Franchised Business:

8.2.1 You agree to conduct, at your expense, such promotional and marketing activities as we may require.

8.2.2 You agree to open the Franchised Business by the date specified in Section 5.1 above. Subject to availability and scheduling, we will send a representative to attend the opening; and you agree not to open the Franchised Business without our representative present. If we cannot provide our representative on the date that you propose to first open the Franchised Business for business, then you must reschedule such opening to a date on which our representative can be in attendance; provided, that we will not unreasonably delay opening of the Franchised Business due to these considerations.

8.2.3 You will not open the Franchised Business until we have determined that all construction has been substantially completed, and that such construction conforms to our standards including to materials, quality of work, signage, decor, paint, and equipment, and we have given you our prior written approval to open, which we will not unreasonably withhold.

8.2.4 You agree not to open the Franchised Business until the Specially Trained Management Employees have successfully completed all training that we require, and not until you have hired and trained to our standards a sufficient number of employees to service the anticipated level of the Franchised Business’s customers.

8.2.5 In addition, you agree not to open the Franchised Business until the Initial Franchise Fee and any other amounts due to us (and our affiliates) under this Agreement or any other agreements have been paid.

8.3 Staffing.

8.3.1 You agree to maintain a competent, conscientious staff in numbers sufficient to promptly service customers and to comply with staffing and service criteria, which may include without limitation specified positions that we may designate from time to time as necessary or appropriate for providing quality member experience according to our standards. We will provide our requirements for service/function positions that we may establish from time to time and which will be set forth in our Brand Manuals.

8.3.2 For the sake of efficiency and to enhance and protect our brand you and your staff must, at all times, cooperate with us and with our representatives, and conduct the operation of the business in a first-class and professional manner in terms of dealing with customers, vendors, and our staff as well.

8.3.3 Your employees must comply with such dress code and other brand standards as we may reasonably require, which may include use of branded (or other "**uniform**") apparel, and otherwise identify themselves with the Proprietary Marks at all times in the manner we specify (whether in the Brand Manual or otherwise in writing) while on a job for the Franchised Business. We may also require that you (and that you ensure that your employees also) comply with our brand standards concerning personal appearance (including dress code, footwear, hair color, body art, piercing, sanitation and personal hygiene, foundation garments, personal displays at work stations, etc.).

8.3.4 You agree to develop, cultivate, and at all times maintain a cooperative, cordial, and respectful work environment for your staff and among all of the owners of the Franchised Business.

8.4 *Operation According to Our Standards.* To insure that the highest degree of quality and service is maintained, you agree to operate your Franchised Business in strict conformity with such methods, standards, and specifications that we may periodically require in the Brand Manual or otherwise in writing. In this regard, you agree to do all of the following:

8.4.1 You agree to maintain in sufficient supply, and to use at all times only the items, products, equipment, services, materials, and supplies that meet our written standards and specifications, and you also agree not to deviate from our standards and specifications by using or offering any non-conforming items without our specific prior written consent.

8.4.2 You agree: **(a)** to sell or offer for sale only those Services, items, and Products using the standards and techniques that we have approved in writing for you to offer and use at your Franchised Business; **(b)** to sell or offer for sale all Services, items, and Products using the standards and techniques that we specify in writing; **(c)** not to deviate from our standards and specifications; **(d)** to stop using and offering for use any Services or Products that we at any time disapprove in writing (recognizing that we have the right to do so at any time); and **(e)** that if you propose to deviate (or if you do deviate) from our standards and specifications, whether or not we have approved the deviation, that deviation will become our property.

- 8.4.3 You agree to permit us, or our agents, at any reasonable time, to inspect the Products, equipment and to remove samples of items or Products, without payment, in amounts reasonably necessary for testing by us or an independent third party to determine whether the Products, equipment, or samples meet our then-current standards and specifications. In addition to any other remedies we may have under this Agreement, we may require you to bear the cost of such testing if we had not previously approved the supplier of the item or if the sample fails to conform to our specifications.
- 8.4.4 You agree to buy and install, at your expense, all fixtures, furnishings, equipment, decor, and signs as we may specify, and to periodically make upgrades and other changes to such items at your expense as we may reasonably request in writing. Without limiting the above, you acknowledge and agree that changes in our System standard may require you to purchase new and/or additional equipment for use in the Franchised Business.
- 8.4.5 You agree not to install or permit to be installed on or about the premises of the Franchised Business, without our prior written consent, any fixtures, furnishings, equipment, machines, décor, signs, or other items that we have not previously in writing approved as meeting our standards and specifications.
- 8.4.6 You agree to immediately notify us in writing if you or any of your Principals are charged with and/or convicted of a felony, a crime involving moral turpitude, or any other crime or offense that is likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein.
- 8.4.7 You agree to purchase or lease, and use, the music system and playlist that we require, and pay the fees to the licensing organization associated with playing that music.
- 8.4.8 You agree to follow the requirements of applicable law and our requirements (to the extent that they are more stringent than applicable law) with respect to verification that patrons (direct and indirect) are eligible to purchase alcoholic beverages under applicable law and our standards (including technological solutions that we have the right to periodically designate). You agree to deny alcoholic service to any patron (direct and indirect) that you determine to be inebriated or likely to cause injury to him/herself or any other person. Among other things, we have the right to require that you use age verification technology as we may periodically require (see Section 14.1.1 below).
- 8.5 *Use of the Premises.* You may only use the Accepted Location only for the purpose of operating the Franchised Business and for no other purpose. You agree not to co-brand or permit any other business to operate at the Accepted Location.
- 8.6 *Hours and Days of Operation.* You agree to keep the Franchised Business open and in normal operation for such hours and days as we may periodically specify in the Brand Manual or as we may otherwise approve in writing.
- 8.7 *Health Standards and Operating Codes.* You agree to meet and maintain the highest health standards and ratings applicable to the operation of the Franchised Business. You agree to fully and faithfully comply with all Operating Codes applicable to your Franchised Business. You will have the sole responsibility to fully and faithfully comply with any Operating Codes, and we will not review whether you are in compliance with any Operating Codes. The term "**Operating Codes**" means all applicable federal, state, and local laws, codes, ordinances,

and/or regulations that apply to the Services, Products, construction, and design of the Restaurant, as well as all other aspects of operating the Franchised Business, including the ADA.

- 8.7.1 You agree to send us, within five (5) days of your receipt, a copy of all inspection reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state, or municipal agency with jurisdiction over the Franchised Business.
- 8.7.2 You must also obtain and maintain during the term of this Agreement all licenses and approvals from any governmental or regulatory agency required for the operation of the Franchised Business or provision of the Services you will offer, sell, and provide (including permits and licenses to offer and sell alcohol including beer, wine, and spirits). Where required, you must obtain the approval of any regulatory authority with jurisdiction over the operation of your Franchised Business.
- 8.7.3 You acknowledge that we will have no liability to you or any regulatory authority for any failure by you to obtain or maintain during the term of this Agreement any necessary licenses or approvals required for the operation of the Franchised Business.

8.8 *Your Franchised Business:*

- 8.8.1 *Franchised Business Condition, Maintenance.* You agree that at all times, you will maintain the Franchised Business in a high degree of sanitation, repair, and condition. In addition, you agree to make such repairs and replacements to the Restaurant as may be required for that purpose (but no others without our prior written consent), including the periodic repainting or replacement of obsolete signs, promotional items, furnishings, equipment, and decor that we may reasonably require. You also agree to obtain maintenance services from qualified vendors as we may specify and maintain those service agreements at all times. Your sanitation, maintenance, and upkeep obligations under this Section 8.8.1 are separate from those with respect to periodic upgrades that we may require regarding fixtures, furnishings, equipment, decor, and signs, and Section 8.8.2 below with respect to Remodeling.
- 8.8.2 *Remodeling.* In addition to the sanitation, maintenance, and upkeep obligations requirements under Section 8.8.1 above, you agree to refurbish the Franchised Business at your expense to conform to our then-current building design, exterior facade, trade dress, signage, furnishings, decor, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current image for new Bar Louie Restaurants, including remodeling, redecoration, and modifications to existing improvements, all of which we may require in writing (collectively, "**Remodeling**"). In this regard, the parties agree that:
 - 8.8.2.1 You will not have to conduct a Remodeling more than once every five (5) years during the term of this Agreement (and not in an economically unreasonable amount); provided, however, that we may require Remodeling more often if Remodeling is required as a pre-condition to renewal (as described in Section 2.2.2 above);
 - 8.8.2.2 You will have six (6) months after you receive our written notice within which to complete Remodeling; and

8.8.2.3 With respect to equipment or fixtures necessary to offer new products we will not require you to spend more than One Hundred Thousand Dollars (\$100,000) in any one-year period and not more than Three Hundred and Fifty Thousand Dollars (\$350,000) on such equipment in any ~~five~~seven-year period.

8.9 *Use of the Marks.* You agree that you will abide by all of our instructions and requirements regarding any marketing and promotional materials, signs, decorations, merchandise, any and all replacement trade dress products, and other items that we may designate to bear our then-current Proprietary Marks and logos (including our requirements as to the form, color, location, and manner for making use of those marks).

8.10 *If You Are an Entity:*

8.10.1 *Corporation.* If you are a corporation, then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** maintain stop transfer instructions on your records against the transfer of any equity securities and will only issue securities upon the face of which a legend, in a form satisfactory to us, appears which references the transfer restrictions imposed by this Agreement; **(c)** not issue any additional shares (whether voting securities or securities convertible into voting securities); and **(d)** maintain a current list of all owners of record and all beneficial owners of any class of voting stock of your company and furnish the list to us upon request.

8.10.2 *Partnership/LLP.* If you are a general partnership, a limited partnership, or a limited liability partnership (LLP), then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** furnish us with a copy of your partnership agreement as well as such other documents as we may reasonably request, and any amendments thereto; **(c)** prepare and furnish to us, upon request, a current list of all of your general and limited partners; and **(d)** consistent with the transfer restrictions set out in this Agreement, maintain instructions against the transfer of any partnership interests without our prior written approval.

8.10.3 *LLC.* If you are a limited liability company (LLC), then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** furnish us with a copy of your articles of organization and operating agreement, as well as such other documents as we may reasonably request, and any amendments thereto; **(c)** prepare and furnish to us, upon request, a current list of all members and managers in your LLC; and **(d)** maintain stop transfer instructions on your records against the transfer of equity securities and will only issue securities upon the face of which bear a legend, in a form satisfactory to us, which references the transfer restrictions imposed by this Agreement.

8.10.4 *Trust.* If you are a trust, then you agree to: (a) confine your commercial activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; (b) furnish us with a copy of your trust agreement as well as such other documents as we may reasonably request, and any amendments thereto; (c) prepare and furnish to us, upon request, a current list of all of your trustees and beneficiaries; and (d) consistent with the transfer restrictions set out in this Agreement, maintain instructions against the transfer of any trustee's

rights and/or obligations, and against any beneficiary's interest, without our prior written approval.

- 8.10.5 *Guarantees.* If you (the Franchisee under this Agreement) are an entity, then you agree to obtain, and deliver to us, a guarantee of your performance under this Agreement and covenant concerning confidentiality and competition, in the form attached as Exhibit B, from each current and future direct and indirect: **(a)** shareholder of a corporate Franchisee; **(b)** member of a limited liability company Franchisee; **(c)** partner of a partnership Franchisee; and/or **(d)** partner of a limited liability partnership Franchisee.
- 8.11 *Quality-Control and Customer Survey Programs.* We may periodically designate an independent evaluation service to conduct a "mystery shopper," "customer survey," and/or similar quality-control and evaluation programs with respect to Bar Louie Restaurants. You agree to participate in such programs as we require, and promptly pay the then-current charges of the evaluation service. If you receive an unsatisfactory or failing report in connection with any such program, then you agree to: **(a)** immediately implement any remedial actions we require; and **(b)** reimburse us for the expenses we incur as a result thereof (including the cost of having the evaluation service re-evaluate the Franchised Business, our inspections of the Franchised Business, and other costs or incidental expenses).
- 8.12 *Prices.* You agree that we may set reasonable restrictions on the maximum and minimum prices you may charge for the Products and Services offered and sold at the Restaurant under this Agreement. You will have the right to set the prices that you will charge to your customers; provided, however, that (subject to applicable law): **(a)** if we have established a maximum price for a particular item, then you may charge any price for that item up to and including the maximum price we have established; and **(b)** if we have established a minimum price for a particular item, then you may charge any price for that item that is equal to or above the minimum price we have established.
- 8.13 *Environmental Matters.* We are committed to working to attain optimal performance of Bar Louie Restaurants with respect to environmental, sustainability, and energy performance. Both parties recognize and agree that there are changing standards in this area in terms of applicable law, competitors' actions, consumer expectations, obtaining a market advantage, available and affordable solutions, and other relevant considerations. In view of those and other considerations, as well as the long-term nature of this Agreement, you agree that we have the right to periodically set reasonable standards with respect to environmental, sustainability, and energy for the System through the Brand Manual, and you agree to abide by those standards.
- 8.14 *Innovations.* You agree to disclose to us all ideas, concepts, methods, techniques and products conceived or developed by you, your affiliates, owners and/or employees during the term of this Agreement relating to the development and/or operation of the Bar Louie Restaurants. All such products, services, concepts, methods, techniques, and new information will be deemed to be our sole and exclusive property and works made-for-hire for us. You hereby grant to us (and agree to obtain from your affiliates, owners, employees, and/or contractors), a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques and products in any businesses that we and/or our affiliates, franchisees and designees operate. We will have the right to use those ideas, concepts, methods, techniques, and/or products without making payment to you. You agree not to use or allow any other person or entity to use any such concept, method, technique or product without obtaining our prior written approval.

- 8.15 *Suspending Operation.* You agree to immediately suspend operating the Franchised Business and promptly notify us in writing if: **(a)** any equipment, programs, products, or services used, provided, offered, or sold at the Restaurant materially deviate from our standards; **(b)** any equipment, programs, products, or services used, provided, offered, or sold at the Restaurant fail to comply with applicable laws or regulations; **(c)** you fail to maintain the equipment, Restaurant premises, personnel, or operation of the Restaurant in accordance with any applicable law or regulations; and/or **(d)** you materially fail to comply with the requirement of this Agreement. You agree to promptly remedy the unsafe or nonconforming condition or other violation of the applicable law or regulation. We have the right to require you to suspend operation of (and close) the Restaurant in the event of such an unsafe or nonconforming condition, or other violation of applicable law or regulation. In the event of such closure, you agree not to reopen the Restaurant until after we have inspected the Restaurant premises, and we have determined that you have corrected the condition and that all equipment, programs, products, or services used, provided, offered, or sold at the Restaurant comply with our standards. This clause does not limit or restrict our other rights under this Agreement.

9 PROPRIETARY MARKS

- 9.1 *Our Representations.* We represent to you that we own (and/or have an appropriate license to) all right, title, and interest in and to the Proprietary Marks, and that we have taken (and will take) all steps reasonably necessary to preserve and protect the ownership and validity in, and of, the Proprietary Marks.
- 9.2 *Your Agreement.* With respect to your use of the Proprietary Marks, You agree that:
- 9.2.1 You will use only the Proprietary Marks that we have designated in writing, and you will use them only in the manner we have authorized and permitted in writing; and all items bearing the Proprietary Marks must bear the then-current logo.
- 9.2.2 You will use the Proprietary Marks only for the operation of the business franchised under this Agreement and only at the location authorized under this Agreement, or in franchisor-approved marketing for the business conducted at or from that location (subject to the other provisions of this Agreement).
- 9.2.3 Unless we otherwise direct you in writing to do so, you agree to operate and advertise the Franchised Business only under the name “*Bar Louie*” without prefix or suffix.
- 9.2.4 During the term of this Agreement and any renewal of this Agreement, you agree to identify yourself (in a manner reasonably acceptable to us) as the owner of the Franchised Business in conjunction with any use of the Proprietary Marks, including but not limited to, uses on invoices, order forms, receipts, and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Franchised Business or any vehicle used in connection with the Franchised Business as we may designate in writing.
- 9.2.5 Your right to use the Proprietary Marks is limited to those uses that are authorized under this Agreement, and any unauthorized use of the Proprietary Marks shall constitute an infringement of our rights.
- 9.2.6 You agree not to use the Proprietary Marks to incur any obligation or indebtedness on our behalf.

- 9.2.7 You agree not to use the Proprietary Marks: **(a)** as part of your corporate or other legal name; **(b)** as part of any e-mail address, domain name, social networking site page, or other identification of you in any electronic medium (except as otherwise provided in Section 14.11 below); and/or **(c)** in any human relations (HR) document or materials (including job applications, employment agreements, pay checks, pay stubs, and the like).
- 9.2.8 You agree to: **(a)** comply with our instructions in filing and maintaining requisite trade name or fictitious name registrations; and **(b)** execute any documents that we (or our affiliates) deem necessary to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability, including any additional license agreements we may require for use of the Proprietary Marks on the Internet or in other marketing.
- 9.2.9 With respect to litigation involving the Proprietary Marks, the parties agree that:
- 9.2.9.1 You agree to promptly notify us of any suspected infringement of the Proprietary Marks, any known challenge to the validity of the Proprietary Marks, or any known challenge to our ownership of, or your right to use, the Proprietary Marks licensed under this Agreement. You agree to communicate only with us, our affiliates, our counsel, or your counsel regarding any such infringement or challenge. You acknowledge that we have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. We will also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks.
- 9.2.9.2 Defense and Costs:
- (a) *If You Used the Marks in Accordance with this Agreement:* If you have used the Proprietary Marks in accordance with this Agreement, then we will defend you at our expense against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use thereof, and we agree to reimburse you for your out-of-pocket litigation costs in doing such acts and things (except that you will bear the salary costs of your employees, and we will bear the costs of any judgment or settlement). .
- (b) *If You Used the Marks Other Than in Accordance with this Agreement:* If you used the Proprietary Marks in any manner that was not in accordance with this Agreement (including our instructions), then we will still defend you, but at your expense, against such third party claims, suits, or demands (including all of the costs of defense as well as the cost of any judgment or settlement). You agree to reimburse us for the cost of such litigation (or, upon our written request, pay our legal fees directly), including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses, as well as the cost of any judgment or settlement.
- 9.2.9.3 If we undertake the defense or prosecution of any litigation or other similar proceeding relating to the Proprietary Marks, then you agree to sign any and all documents, and do those acts and things that may, in our counsel's opinion, be necessary to carry out the defense or prosecution of that matter (including becoming a nominal party to any legal action).

- 9.3 *Your Acknowledgements.* You expressly understand and acknowledge that:
- 9.3.1 We own all right, title, and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them.
 - 9.3.2 The Proprietary Marks are valid and serve to identify the System and those who are authorized to operate under the System.
 - 9.3.3 Neither you nor any of your owners, principals, or other persons acting on your behalf will directly or indirectly contest the validity or our ownership of the Proprietary Marks, nor will you, directly or indirectly, seek to register the Proprietary Marks with any government agency (unless we have given you our express prior written consent to do so).
 - 9.3.4 Your use of the Proprietary Marks does not give you any ownership interest or other interest in or to the Proprietary Marks, except the license granted by this Agreement.
 - 9.3.5 Any and all goodwill arising from your use of the Proprietary Marks shall inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement and the license granted as part of this Agreement, there will be no monetary amount assigned as attributable to any goodwill associated with Your use of our System or of our Proprietary Marks.
 - 9.3.6 The license that we have granted to you under this Agreement to use our Proprietary Marks is not exclusive, and therefore we have the right, among other things:
 - 9.3.6.1 To use the Proprietary Marks ourselves in connection with selling Products and Services;
 - 9.3.6.2 To grant other licenses for the Proprietary Marks, in addition to licenses we may have already granted to you and other licensees; and
 - 9.3.6.3 To develop and establish other systems using the same or similar Proprietary Marks, or any other proprietary marks, and to grant licenses or franchises for those other marks without giving you any rights to those other marks.
- 9.4 *Change to Marks.* We reserve the right to substitute different Proprietary Marks for use in identifying the System and the businesses operating as part of the System if our currently owned Proprietary Marks no longer can be used, or if we determine, exercising our right to do so, that substitution of different, updated, or changed Proprietary Marks will be beneficial to the System. In such circumstances, you agree to adopt the new Proprietary Marks and also that your right to use the substituted proprietary marks shall be governed by (and pursuant to) the terms of this Agreement.

10 CONFIDENTIAL BRAND MANUALS

- 10.1 *Brand Manual.* We will provide you with access to our confidential Brand Manual during the term of this Agreement for your use only in connection with operating the Franchised Business during the term of this Agreement.
- 10.2 *You Agree to Abide by the Brand Manual.* In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you agree to conduct your business in accordance with the written instructions that we provide, including the Brand

Manual. We will lend to you (or permit you to have access to) one (1) copy of our Brand Manual, only for the term of this Agreement, and only for your use in connection with operating the Franchised Business during the term of this Agreement.

- 10.3 *Format of the Brand Manual.* We will have the right to provide the Brand Manual in any one or more format that we determine is appropriate (including paper and/or by making some or all of the Brand Manual available to you only in electronic form, such as through an internet website or an extranet), and we may change how we provide the Brand Manual from time to time. If at any time we choose to provide some or all the Brand Manual electronically, you agree to immediately return to us any and all physical copies of the portions of the Brand Manual that we have previously provided to you.
- 10.4 *We Own the Brand Manual.* The Brand Manual will at all times remain our sole property and you agree to promptly return the Brand Manual (including any and all copies of some or all of the Brand Manual) when this Agreement expires and/or is terminated.
- 10.5 *Confidentiality and Use of the Brand Manual.*
- 10.5.1 The Brand Manual contains our proprietary information and you agree to keep the Brand Manual confidential both during the term of this Agreement and after this Agreement expires and/or is terminated. You agree that, at all times, you will insure that your copy of the Brand Manual will be available at the Franchised Business premises in a current and up-to-date manner. Whenever the Brand Manual is not in use by authorized personnel, you agree to maintain secure access to the Brand Manual at the premises of the Franchised Business, and you agree to grant only authorized personnel (as defined in the Brand Manual) with access to the security protocols for the Brand Manual.
- 10.5.2 You agree to never make any unauthorized use, disclosure, and/or duplication the Brand Manual in whole or in part.
- 10.6 *You Agree to Treat Brand Manual as Confidential.* You agree that at all times, you will treat the Brand Manual, any other manuals that we create (or approve) for use in the operation of the Franchised Business, and the information contained in those materials, as confidential, and you also agree to use your best efforts to maintain such information as secret and confidential. You agree that you will never copy, duplicate, record, or otherwise reproduce those materials, in whole or in part, nor will you otherwise make those materials available to any unauthorized person.
- 10.7 *Which Copy of the Brand Manual Controls.* You agree to keep your copy of the Brand Manual only at the Franchised Business (and as provided in Section 10.4 above) and also to insure that the Brand Manual are kept current and up to date. You also agree that if there is any dispute as to the contents of the Brand Manual, the terms of the master copy of the Brand Manual that we maintain in our home office will be controlling. Access to any electronic version of the Brand Manual will also be subject to our reasonable requirements with respect to security and other matters, as described in Section 14 below.
- 10.8 *Revisions to the Brand Manual.* We have the right to revise the contents of the Brand Manual whenever we deem it appropriate to do so, and you agree to make corresponding revisions to your copy of the Brand Manual and to comply with each new or changed standard.
- 10.9 *Modifications to the System.* You recognize and agree that we may periodically change or modify the System and you agree to accept and use for the purpose of this Agreement any

such change in the System (which may include, among other things, new or modified trade names, service marks, trademarks or copyrighted materials, new products, new equipment or new techniques, as if they were part of this Agreement at the time when you and we signed this Agreement; provided the financial burden placed upon you is not substantial). You agree to make such expenditures and such changes or modifications as we may reasonably require pursuant to this Section and otherwise in this Agreement.

11 CONFIDENTIAL INFORMATION

11.1 Confidentiality.

11.1.1 You agree that you will not, during the term of this Agreement or at any time thereafter, communicate, divulge, or use (for yourself and/or for the benefit of any other person, persons, partnership, entity, association, or corporation) any Confidential Information that may be communicated to you or of which you may be apprised by virtue of your operation under the terms of this Agreement. You agree that you will divulge our Confidential Information only to those of your employees as must have access to it in order to operate the Franchised Business.

11.1.2 Any and all information, knowledge, know-how, and techniques that we designate as confidential will be deemed Confidential Information for purposes of this Agreement, except information that you can demonstrate came to your attention before disclosure of that information by us; or which, at or after the time of our disclosure to you, had become or later becomes a part of the public domain, through publication or communication by another party that has the right to publish or communicate that information.

11.1.3 Any employee who may have access to any Confidential Information regarding the Franchised Business must execute a covenant that s/he will maintain the confidentiality of information they receive in connection with their association with you. Such covenants must be on a form that we provide, which form will, among other things, designate us as a third party beneficiary of such covenants with the independent right to enforce them.

11.1.4 As used in this Agreement, the term "**Confidential Information**" includes, without limitation, our business concepts and plans, equipment, printing and digital document management methods, operating techniques, marketing methods, processes, vendor information, results of operations and quality control information, financial information, demographic and trade area information, prospective site locations, market penetration techniques, plans, or schedules, the Brand Manuals, customer profiles, preferences, or statistics, itemized costs, franchisee composition, territories, and development plans, and all related trade secrets or other confidential or proprietary information treated as such by us, whether by course of conduct, by letter or report, or by the use of any appropriate proprietary stamp or legend designating such information or item to be confidential or proprietary, by any communication to such effect made before or at the time any Confidential Information is disclosed to you.

11.2 *Consequences of Breach.* You acknowledge and agree that any failure to comply with the requirements of this Section 11 will cause us irreparable injury, and you agree to pay all costs (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 11.

12 ACCOUNTING, FINANCIAL AND OTHER RECORDS, AND INSPECTIONS

12.1 *Accounting Records and Sales Reports.*

12.1.1 With respect to the Franchised Business, you agree to maintain for at least seven (7) years during (as well as after) the term of this Agreement (and also after any termination and/or transfer), full, complete, and accurate books, records, and accounts prepared in accordance with generally accepted accounting principles and in the form and manner we have prescribed periodically in the Brand Manual or otherwise in writing, including: **(a)** daily cash reports; **(b)** cash receipts journal and general ledger; **(c)** cash disbursements and weekly payroll journal and schedule; **(d)** monthly bank statements, daily deposit slips and cancelled checks; **(e)** all tax returns; **(f)** supplier's invoices (paid and unpaid); **(g)** dated daily and weekly cash register journals and POS reports in accordance with our standards; **(h)** semi-annual fiscal period balance sheets and fiscal period profit and loss statements; **(i)** operational schedules and weekly inventory records; **(j)** records of promotion and coupon redemption; and **(k)** such other records that we may periodically and reasonably request. You agree to allow us access to review such records as specified below in Section 12.6.

12.1.2 We have the right to specify the accounting software and a common chart of accounts, and, if we do so, you agree to use that software and chart of accounts (and require your bookkeeper and accountant to do so) in preparing and submitting your financial statements to us. We have the right to require you to use only an approved bookkeeping service and an approved independent certified public accountant. You agree to provide to the accounting service provider complete and accurate information that we or the accounting service provider require, and agree that we will have full access to the data and information that you provide to the accounting service provider or through the designated program. Additionally, if you fail to comply with the accounting standards and requirements under this Agreement, we may require that you use an approved independent bookkeeper and/or independent accounting firm and/or services and programs.

12.1.3 Each Week, you agree to submit to us, in the form we specify and/or utilizing our Required Software, as that term is defined in Section 14.1.2 below), a sales report for the immediately preceding Week. You agree to submit the report to us by whatever method that we reasonably require (whether electronically through your use of our Required Software or otherwise) for our receipt no later than the times required under Section 4.3 above. You agree that if you do not submit those reports to us in a timely manner, and/or if you do not permit us to access your Computer System as provided, we will have the right to charge you for the costs that we incur in auditing your records.

12.1.4 We will have the right to designate, and you agree to adopt, the reporting and accounting periods that we decide are appropriate for the System.

12.2 *Financial Statements.*

12.2.1 You agree to provide us, at your expense, and in a format that we reasonably specify, a complete annual financial statement prepared on a review basis by an independent certified public accountant (as to whom we do not have a reasonable objection) within ninety (90) days after the end of each fiscal year of the Franchised Business during the term of this Agreement. Your financial statement must be prepared according to generally accepted accounting principles, include a fiscal year-end balance sheet, an income statement of the Franchised Business for that fiscal year reflecting all year-end

adjustments, and a statement of changes in your cash flow reflecting the results of operations of the Franchised Business during the most recently completed fiscal year.

- 12.2.2 In addition, no later than the tenth (10th) day of each month (or, if we elect, other periodic time period) during the term of this Agreement after the opening of the Franchised Business, you agree to submit to us, in a format acceptable to us (or, at our election, in a form that we have specified): **(a)** a fiscal period and fiscal year-to-date profit and loss statement and a quarterly balance sheet (which may be unaudited) for the Franchised Business; **(b)** reports of those income and expense items of the Franchised Business that we periodically specify for use in any revenue, earnings, and/or cost summary we choose to furnish to prospective franchisees (provided that we will not identify to prospective franchisees the specific financial results of the Franchised Business); and **(c)** copies of all state sales tax returns for the Franchised Business.
- 12.2.3 Upon our request, you agree to take a physical inventory of the stock at your Restaurant and to provide us with a written report on the results of that inventory.
- 12.2.4 You must certify as correct and true all reports and information that you submit to us pursuant to this Section 12.2.
- 12.2.5 You agree that upon our request, and for a limited period of time, you will provide us (and/or our agents, such as our auditors) with passwords and pass codes necessary for the limited purpose of accessing your computer system in order to conduct the inspections specified in this Section 12. You also agree that you will change all passwords and pass codes after the inspection is completed.
- 12.3 *Additional Information.* You also agree to submit to us (in addition to the sales reports required pursuant to Section 12.1.4 above), for review or auditing, such other forms, reports, records, information, and data as and when we may reasonably designate, in the form and format, and at the times and places as we may reasonably require, upon request and as specified periodically in the Brand Manual or otherwise in writing, including: **(a)** information in electronic format; **(b)** restated in accordance with our financial reporting periods; **(c)** consistent with our then-current financial reporting periods and accounting practices and standards; and/or **(d)** as necessary so that we can comply with reporting obligations imposed upon us by tax authorities with jurisdiction over the Franchised Business and/or our company. The reporting requirements of this Section 12.3 will be in addition to, and not in lieu of, the electronic reporting required under Section 14 below.
- 12.4 *PCI Compliance and Credit Cards.* With respect to your acceptance and processing of customer payments by credit and debit cards, you agree to do all of the following:
- 12.4.1 You agree to maintain, at all times, credit-card relationships with the credit- and debit-card issuers or sponsors, check or credit verification services, financial-center services, merchant service providers, and electronic-fund-transfer systems (together, "**Payment Vendors**") that we may periodically designate as mandatory. The term "**Payment Vendors**" includes, among other things, companies that provide services for electronic payment, such as near field communication vendors (for example, "Apple Pay" and "Google Wallet").
- 12.4.2 You agree not to use any Payment Vendor for which we have not given you our prior written approval or as to which we have revoked our earlier approval.

- 12.4.3 We have the right to modify our requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke our approval of any service provider.
- 12.4.4 You agree to comply with all of our policies regarding acceptance of payment by credit and/or debit cards, including for example minimum purchase requirements for a customer's use of a credit card (we may set these requirements in the Brand Manual).
- 12.4.5 In addition to the other requirements of this Agreement to provide us with various information and reports, you agree to provide us with the information that we reasonably require concerning your compliance with data and cybersecurity requirements.
- 12.4.6 You agree to comply with our requirements concerning data collection and protection, as specified in Section 14.3 below.
- 12.4.7 You agree to comply with the then-current Payment Card Industry Data Security Standards as those standards may be revised and modified by the PCI Security Standards Council, LLC (see www.pcisecuritystandards.org), or any successor organization or standards that we may reasonably specify. Among other things, you agree to implement the enhancements, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.
- 12.5 *Gift Cards and Affinity Programs.* You agree to offer for sale, and to honor for purchases by customers, all gift cards and other affinity or convenience programs that we may periodically institute (including loyalty programs that we or a third party vendor operate, as well as mobile payment and/or customer affinity applications); and you agree to do all of those things in compliance with our standards and procedures for such programs. For this purpose, you must purchase the software, hardware, and other items needed to sell and process gift cards, and to contact with the supplier of gift cards and gift card processing services, as we may specify in writing in the Brand Manuals or otherwise. You must also pay such monthly and per-swipe transaction fees as may be required by the vendors of the gift card system. You agree not to sell, issue, or redeem coupons, gift certificates, and gift cards other than those gift cards (if any) that we have approved in writing.
- 12.6 *Our Right to Inspect Your Books and Records.* We have the right at all reasonable times to examine, copy, and/or personally review or audit (at our expense) all of your sales receipts, books, records, and sales and income tax returns in person or through electronic access (at our option). We will also have the right, at any time, to have an independent audit made of your books and records. If an inspection should reveal that you have understated any payments in any report to us, then this will constitute a default under this Agreement, and you agree to immediately pay us the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of one and one-half percent (1.5%) per month (but not more than the maximum rate, if any, that applies to you under law). If we conduct an inspection because you did not timely provide sales reports to us, or if an inspection discloses that you understated your sales, in any report to us (and/or underpaid your royalties), by two percent (2%) or more, or if you did not maintain and/or provide us with access to your records, then you agree (in addition to paying us the overdue amount and interest) to reimburse us for any and all costs and expenses we incur in connection with the inspection (including travel, lodging and wages expenses, and reasonable accounting and legal costs). These remedies will be in addition to any other remedies we may have. We may exercise our

rights under this Section 12 directly or by engaging outside professional advisors (for example, a CPA) to represent us.

- 12.7 *Operational Inspections.* In addition to the provisions of Section 12.6 above, you also grant to us and our agents the right to enter upon the Franchised Business premises at any reasonable time for the purpose of conducting inspections, for among other purposes, preserving the validity of the Proprietary Marks, and verifying your compliance with this Agreement and the policies and procedures outlined in the Brand Manual. You agree to cooperate with our representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from us or from our agents (and without limiting our other rights under this Agreement), you agree to take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. You further agree to pay us our then-current per diem fee for our representative(s) and to reimburse us for our reasonable travel expenses if additional inspections at the Franchised Business are required when a violation has occurred and you have not corrected the violation, or if you did not provide us with your records or access to your records upon reasonable request that is permitted under this Agreement.

13 **MARKETING**

- 13.1 *Marketing Activities and Funds.* For each Week during the term of this Agreement, you agree to contribute and/or expend an amount equal to up to four and one-half percent (4.5%) of Gross Sales to be allocated in the manner described in Section 13.2 below (the “**Marketing Contribution**”). You agree to pay the Marketing Contribution in the manner and at the times required under Section 4.3 above (and as otherwise provided in this Section 13).

13.2 *Allocation and Collection.*

13.2.1 We have the right to allocate your Marketing Contribution in the proportion that we designate among the following: **(a)** our System-wide marketing and promotional fund (the “**Brand Fund**”); **(b)** any regional marketing cooperative fund established for your area (a “**Regional Fund**”), as provided in Section 13.4 below (but we are not required to establish a Regional Fund for your area); and **(c)** your own expenditures on local marketing and promotion under Section 13.5 below (the “**Local Marketing Expenditure**”).

13.2.2 Subject to Section 13.2.3 below, our current allocation of the Marketing Contribution (which we have the right to reallocate, as provided above) is as follows:

13.2.2.1 You must contribute at least one percent (1%) and of the Franchised Business’ Gross Sales to the Brand Fund;

13.2.2.2 No contribution to a Regional Fund (but that may change if and when we establish a Regional Fund for your area); and

13.2.2.3 You must spend at least three percent (3%) of the Franchised Business’ Gross Sales on the Local Marketing Expenditure.

13.2.3 We have the right to periodically make changes to the allocation of the Marketing Contribution as specified in Section 13.2.1 among those funds and/or Local Marketing Expenditure, by giving you written notice of the change, and those changes will take effect at the end of that month.

- 13.2.4 No part of the Marketing Contribution (whether deposited in Brand Fund or a Regional Fund or designated for Local Marketing Expenditure) shall be subject to refund or repayment under any circumstances.
- 13.3 *Brand Fund.* We have the right (but not the obligation) to establish, maintain, and administer the Brand Fund. If we establish a Brand Fund, then the following provisions will apply to that Brand Fund:
- 13.3.1 We (or our designee) will have the right to direct all marketing programs, with sole discretion over the concepts, materials, and media used in such programs and the placement and allocation thereof. You agree and acknowledge that the Brand Fund is intended to maximize general public recognition, acceptance, and use of the System; and that we and our designee are not obligated, in administering the Brand Fund, to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Brand Fund.
- 13.3.2 The Brand Fund, all contributions to that fund, and any of that fund's earnings, will be used exclusively to meet any and all costs of maintaining, administering, staffing, directing, conducting, preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System (including among other things, the costs of preparing and conducting marketing and media advertising campaigns on radio, television, cable, and other media; direct mail advertising; developing and implementing website, social networking/media, search optimization, and other electronic marketing strategies; marketing surveys and other public relations activities; employing marketing personnel (including salaries for personnel directly engaged in consumer-oriented marketing functions), advertising and/or public relations agencies to assist in marketing; purchasing and distributing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; engaging individuals as spokespersons and celebrity endorsers; purchasing creative content for local sales materials; reviewing locally-produced ads; preparing, purchasing and distributing door hangers, free-standing inserts, coupons, brochures, and trademarked apparel; market research; conducting sponsorships, sweepstakes and competitions; engaging mystery shoppers for Bar Louie Restaurants and their competitors; paying association dues (including the International Franchise Association), establishing third-party facilities for customizing local advertising; [the cost of establishing and maintaining franchisee advisory committees](#); purchasing and installing signage; and providing promotional and other marketing materials and services to the Bar Louie Restaurants operated under the System).
- 13.3.3 You agree to make your Marketing Contribution to the Brand Fund in the manner specified in Section 4.3 above. The Brand Fund may also be used to make loans (at reasonable interest rates); and to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, approved in advance by us, which products, services, or improvements we deem, in our sole discretion, will promote general public awareness and favorable support for the System. All sums you pay to the Brand Fund will be maintained in an account separate from our other monies and will not be used to defray any of our expenses, except for such reasonable costs and overhead, if any, as we may incur in activities reasonably related to the direction and implementation of the Brand Fund and marketing programs for franchisees and the System. The Brand Fund and its earnings will not otherwise inure to our benefit. We or our designee will maintain separate bookkeeping accounts for the Brand Fund.

- 13.3.4 The Brand Fund is not and will not be our asset. We will prepare and make available to you upon reasonable request an annual statement of the operations of the Brand Fund as shown on our books.
- 13.3.5 Although once established the Brand Fund is intended to be of perpetual duration, we maintain the right to terminate the Brand Fund. The Brand Fund will not be terminated, however, until all monies in the Brand Fund have been expended for marketing purposes.
- 13.4 *Regional Fund.* We have the right (but not the obligation) to designate any geographical area for purposes of establishing a cooperative market marketing fund. If and only if we establish a Regional Fund for the geographic area in which your Franchised Business is located, then the following terms will apply:
- 13.4.1 If a Regional Fund has been established for your area when you start operations under this Agreement, then you must immediately become a member of such Regional Fund. If a Regional Fund for the geographic area in which the Franchised Business is located is established during the term of this Agreement, you must become a member of such Regional Fund within thirty (30) days after the date on which the Regional Fund commences operation. In no event will you be required to join more than one Regional Fund.
- 13.4.2 The following provisions will apply to each such Regional Fund:
- 13.4.2.1 Each Regional Fund shall be organized (including bylaws and other organic documents) and governed in a form and manner, and shall commence operations on a date, which we must have approved in advance in writing.
- 13.4.2.2 The activities carried on by each Regional Fund shall be decided by a majority vote of its members (unless we specify otherwise in writing). Any Locations that we operate in the region shall have the same voting rights as Locations owned by franchisees, and each Franchised Business shall be entitled to have one (1) vote in the Regional Fund. Any such voting would be limited to matters involving the Regional Fund.
- 13.4.2.3 Each Regional Fund will be organized for the exclusive purpose of administering regional marketing programs and developing, subject to our approval, standardized promotional materials for use by the members in regional marketing.
- 13.4.2.4 No marketing, advertising or promotional plans or materials may be used by a Regional Fund or furnished to its members without our prior approval, pursuant to the procedures and terms as set forth in Section 13.9 below.
- 13.4.2.5 Once you become a member of a Regional Fund, you must contribute to a Regional Fund pursuant to the allocation that we specify, as described in Section 13.2 above, at the time required under Section 4.3 above, together with such statements or reports that we, or the Regional Fund (with our prior written approval) may require. We also have the right to require that you

submit your Regional Fund contributions and reports directly to us for distribution to the Regional Fund.

13.4.2.6 A majority of the Bar Louie Restaurant owners in the Regional Fund may vote to increase the amount of each Bar Louie Restaurant owner's contribution to the Regional Fund by up to an additional two percentage points (2%) (that is, 200 basis points) of each Bar Louie Restaurant's Gross Sales. Voting will be on the basis of one vote per Bar Louie Restaurant, and each Bar Louie Restaurant that we operate in the region, if any, will have the same voting rights as those owned by our franchisees. You must contribute to the Regional Fund in accordance with any such vote by the Regional Fund to increase each Bar Louie Restaurant's contribution as provided in this Section.

13.4.2.7 Although once established, each Regional Fund is intended to be of perpetual duration, we maintain the right to terminate any Regional Fund. A Regional Fund will not be terminated, however, until all monies in that Regional Fund have been expended for marketing purposes.

13.5 *Local Marketing and Promotion.* You must make Weekly expenditures on local marketing and promotion of the Restaurant in such amounts as we may designate as part of the allocation of the Marketing Contribution specified in Section 13.2 above. As used in this Agreement, the term "local marketing and promotion" will consist only of the direct costs of purchasing and producing marketing materials (including camera ready advertising and point of sale materials), media (space or time), and those direct out of pocket expenses related to costs of marketing and sales promotion that you spend in your local market or area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying; however, the parties expressly agree that local marketing may not include costs or expenses that you incur or that are spent on your behalf in connection with any of the following:

13.5.1 Salaries and expenses of your employees, including salaries or expenses for attendance at marketing meetings or activities, or incentives provided or offered to such employees, including discount coupons;

13.5.2 Charitable, political, or other contributions or donations (except Community Events as noted below); and/or

13.5.3 The value of discounts provided to consumers.

13.6 If the lease for the Franchised Business requires you to engage in a specified level of local advertising of your Restaurant ("**Landlord Required Marketing**"), then: (a) you agree to provide us with proof that you have paid and/or spent those amounts on Landlord Required Marketing; and (b) to the extent that we agree that the uses for which the Landlord Required Marketing are substantially similar to the local marketing requirements specified in Section 13.5 above, then we will credit those approved Landlord Required Marketing toward your Local Marketing Expenditure obligation under Section 13.5 above.

13.7 *Grand Opening Marketing Program.* In addition to the Marketing Contribution, you agree to spend a minimum of Five Thousand Dollars (\$5,000) for grand opening marketing and promotional programs in conjunction with the Franchised Business's initial grand opening, pursuant to a grand opening marketing plan that you develop and that we approve in writing (the "**Grand Opening Marketing Program**"). The Grand Opening Marketing Program must

begin at a mutually-agreed-upon time before (and be completed by a mutually-agreed-upon time after) the scheduled commencement date for the Franchised Business, and is subject to the provisions of Section 13.9 below. For the purpose of this Agreement, the Grand Opening Marketing Program will be considered Local Marketing Expenditure, as provided under Section 13.5 above (but the expenditure will be in addition to the Local Marketing Expenditure).

- 13.8 *Materials Available for Purchase.* We may periodically make available to you for purchase marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, community relations programs, and similar marketing and promotional materials for use in local marketing.
- 13.9 *Standards.* All of your local marketing and promotion must: (a) be in the media, and of the type and format, that we may approve; (b) be conducted in a dignified manner; and (c) conform to the standards and requirements that we may specify. You agree not to use any advertising, marketing materials, and/or promotional plans unless and until you have received our prior written approval, as specified in Section 13.9 below. We have the right to require you to discontinue the use of any previously approved advertising or marketing material upon reasonable notice.
- 13.10 *Our Review and Right to Approve All Proposed Marketing.* For all proposed advertising, marketing, and promotional plans, you (or the Regional Fund, where applicable) must submit to us samples of such plans and materials (by means described in Section 24 below), for our review and prior written approval. If you (or the Regional Fund) have not received our written approval within fourteen (14) days after we have received those proposed samples or materials, then we will be deemed to have disapproved them. You acknowledge and agree that any and all copyright in and to advertising, marketing materials, and promotional plans developed by or on behalf of you will be our sole property, and you agree to sign such documents (and, if necessary, require your employees and independent contractors to sign such documents) that we deem reasonably necessary to give effect to this provision.
- 13.11 *Rebates.* You acknowledge and agree that periodic rebates, giveaways and other promotions and programs will, if and when we adopt them, be an integral part of the System. Accordingly, you agree to honor and participate (at your expense) in reasonable rebates, giveaways, marketing programs, and other promotions that we establish and/or that other franchisees sponsor, so long as they do not violate regulations and laws of appropriate governmental authorities.
- 13.12 *Considerations as to Charitable Efforts.* You acknowledge and agree that certain associations between you and/or the Franchised Business and/or the Proprietary Marks and/or the System, on the one hand, and certain political, religious, cultural or other types of groups, organizations, causes, or activities, on the other, however well-intentioned and/or legal, may create an unwelcome, unfair, or unpopular association with, and/or an adverse effect on, our reputation and/or the good will associated with the Proprietary Marks. Accordingly, you agree that you will not, without our prior written consent, take any actions that are, or which may be perceived by the public to be, taken in the name of, in connection or association with you, the Proprietary Marks, the Franchised Business, us, and/or the System involving the donation of any money, products, services, goods, or other items to, any charitable, political or religious organization, group, or activity.
- 13.13 *Additional Marketing Expenditure Encouraged.* You understand and acknowledge that the required contributions and expenditures are minimum requirements only, and that you may

(and we encourage you to) spend additional funds for local marketing and promotion, which will focus on disseminating marketing directly related to your Franchised Business.

14 TECHNOLOGY

14.1 *Computer Systems and Required Software.* With respect to computer systems and required software:

14.1.1 We have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among Bar Louie Restaurants, and in accordance with our standards, including: **(a)** back office and point of sale systems, data, audio, video (including managed video security surveillance), telephone, voice messaging, retrieval, and transmission systems for use at Bar Louie Restaurants, between or among Bar Louie Restaurants, and between and among the Franchised Business, and you, and us; **(b)** POS Systems (defined in Section 14.6 below); **(c)** physical, electronic, and other security systems and measures; **(d)** printers and other peripheral devices; **(e)** archival back-up systems; **(f)** internet access mode (e.g., form of telecommunications connection) and speed; **(g)** technology used to enhance and evaluate the customer experience (including digital menu boards and related technology); **(h)** front-of-the-house WiFi and other connectivity service for customers; **(i)** in-Restaurant music systems under Section 8.4.7 above; and **(j)** age verification technology that may be required under Section 8.4.8 above (collectively, all of the above are referred to as the “**Computer System**”).

14.1.2 We will have the right, but not the obligation, to develop or have developed for us, or to designate: **(a)** computer software programs and accounting system software that you must use in connection with the Computer System (including applications, technology platforms, and other such solutions) (“**Required Software**”), which you must install and maintain; **(b)** updates, supplements, modifications, or enhancements to the Required Software, which you must install and maintain; **(c)** the media upon which you must record data; and **(d)** the database file structure of your Computer System. If we require you to use any or all of the above items, then you agree that you will do so. The term “Required Software” also includes the BL App and also includes the affinity program cards required under Section 12.5 above.

14.1.3 You agree to install, use, maintain, update, and replace (as needed) the Computer System and Required Software at your expense. You agree to pay us or third party vendors, as the case may be, initial and ongoing fees in order to install, maintain, and continue to use the Required Software, hardware, and other elements of the Computer System.

14.1.4 You agree to implement and periodically make upgrades and other changes at your expense to the Computer System and Required Software as we may reasonably request in writing (collectively, “**Computer Upgrades**”).

14.1.5 You agree to comply with all specifications that we issue with respect to the Computer System and the Required Software, and with respect to Computer Upgrades, at your expense. You agree to afford us unimpeded access to your Computer System and Required Software, including all information and data maintained thereon, in the manner, form, and at the times that we request.

14.1.6 You also agree that we will have the right to approve or disapprove your use of any other technology solutions (including beacons and other tracking methodologies).

14.1.7 We have the right but not the obligation to create, and then to modify, update, or replace a mobile application (the "**BL App**"). You agree to install, use, maintain, and update the equipment needed so that you and your customers may make full use of the BL App, as we may reasonably require. You agree to use and accommodate customers' access for the versions of the BL App that we designate

14.2 *Data.*

14.2.1 You agree that all data that you collect, create, provide, or otherwise develop on your Computer System (whether or not uploaded to our system from your system and/or downloaded from your system to our system) is and will be owned exclusively by us, and that we will have the right to access, download, and use that data in any manner that we deem appropriate without compensation to you. (As used in this Section 14.2, the term "data" specifically excludes consumers' payment card information.)

14.2.2 You agree that all other data that you create or collect in connection with the System, and in connection with your operation of the Franchised Business (including customer and transaction data), is and will be owned exclusively by us during the term of, and after termination or expiration of, this Agreement.

14.2.3 In order to operate your Franchised Business under this Agreement, we hereby license use of such data back to you, at no additional cost, solely for the term of this Agreement and for your use in connection with operating the Franchised Business. You acknowledge and agree that except for the right to use the data under this clause, you will not develop or have any ownership rights in or to the data.

14.2.4 You agree to transfer to us all data (in the digital machine-readable format that we specify, and/or printed copies, and/or originals) promptly upon our request when made, whether periodically during the term of this Agreement, upon termination and/or expiration of this Agreement, any transfer of an interest in you, and/or a transfer of the Franchised Business.

14.3 *Data Requirements and Usage.* We may periodically specify in the Brand Manual or otherwise in writing the information that you agree to collect and maintain on the Computer System installed at the Franchised Business, and you agree to provide to us such reports as we may reasonably request from the data so collected and maintained. In addition:

14.3.1 You agree to abide by all applicable laws pertaining to the privacy of consumer, employee, vendor, and transactional information ("**Privacy Laws**").

14.3.2 You agree to comply with our standards and policies that we may issue (without any obligation to do so) pertaining to the privacy of consumer, employee, vendor, and transactional information. If there is a conflict between our standards and policies and Privacy Laws, you agree to: **(a)** comply with the requirements of Privacy Laws; **(b)** immediately give us written notice of such conflict; and **(c)** promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies pertaining to privacy within the bounds of Privacy Laws.

14.3.3 You agree to not publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent as to such policy.

- 14.3.4 You agree to implement at all times appropriate physical and electronic security as is necessary to secure your Computer System, including complex passwords that you change periodically, and to comply with any standards and policies that we may issue (without obligation to do so) in this regard.
- 14.4 *Extranet.* You agree to comply with our requirements (as set forth in the Brand Manual or otherwise in writing) with respect to establishing and maintaining telecommunications connections between your Computer System and our Extranet and/or such other computer systems as we may reasonably require. The term “**Extranet**” means a private network based upon Internet protocols that will allow users inside and outside of our headquarters to access certain parts of our computer network via the Internet or another online portal. We may establish an Extranet (but are not required to do so or to maintain an Extranet). If we establish an Extranet, then you agree to comply with our requirements (as set forth in the Brand Manual or otherwise in writing) with respect to connecting to the Extranet, and utilizing the Extranet in connection with the operation of your Franchised Business. The Extranet may include, without limitation, the Brand Manual, training and other assistance materials, and management reporting solutions (both upstream and downstream, as we may direct). You agree to purchase and maintain such computer software and hardware (including telecommunications capacity) as may be required to connect to and utilize the Extranet. You agree to execute and deliver to us such documents as we may deem reasonably necessary to permit you to access the Extranet.
- 14.5 *No Separate Digital Sites.* Unless we have otherwise approved in writing, you agree not to establish or develop or permit any other party to establish or develop a Digital Site or Mobile Application relating in any manner whatsoever to the Franchised Business or referring to the Proprietary Marks. We will have the right, but not the obligation, to provide one or more references or webpage(s), as we may periodically designate, within our Digital Site and/or the BL App. The term “**Digital Site**” means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including the Internet, World Wide Web, webpages, microsites, social media and networking sites (including Facebook, Twitter, LinkedIn, You Tube, Snapchat, Pinterest, Instagram, TikTok, etc.), blogs, vlogs, podcasts, applications to be used on mobile devices (e.g., iOS or Android apps), the metaverse, and other applications, etc. (whether they are now in existence or developed at some point in the future). The term “**Mobile Application**” means a specialized software program developed for use on and downloaded onto a wireless mobile communication device (including the BL App). The term “Digital Site” as used in this Agreement includes Mobile Applications. However, if we give you our prior written consent to have some form of separate Digital Site (which we are not obligated to approve), then each of the following provisions will apply:
- 14.5.1 You agree that you will not establish or use any Digital Site without our prior written approval.
- 14.5.2 Any Digital Site that you own or that is maintained by or for your benefit will be deemed “marketing” under this Agreement, and will be subject to (among other things) our right of review and prior approval under Section 13.9 above.
- 14.5.3 Before establishing any Digital Site, you agree to submit to us, for our prior written approval, a sample of the proposed Digital Site domain name, format, visible content (including proposed screen shots, links, and other content), and non-visible content (including meta tags, cookies, and other electronic tags) in the form and manner we may reasonably require.

- 14.5.4 You may not use or modify such Digital Site without our prior written approval as to such proposed use or modification.
- 14.5.5 In addition to any other applicable requirements, you agree to comply with the standards and specifications for Digital Sites that we may periodically prescribe in the Brand Manual or otherwise in writing (including requirements pertaining to designating us as the sole administrator or co-administrator of the Digital Site).
- 14.5.6 If we require, you agree to establish such hyperlinks to our Digital Site and others as we may request in writing.
- 14.5.7 If we require you to do so, you agree to make weekly or other periodic updates to our Digital Site to reflect information regarding specials and other promotions at your Franchised Business.
- 14.5.8 We may require you to make us the sole administrator (or co-administrator) of any social networking pages that you maintain or that are maintained on your behalf, and we will have the right (but not the obligation) to exercise all of the rights and privileges that an administrator may exercise.
- 14.6 *POS Systems.* You agree to record all sales on integrated computer-based point of sale systems we approve or on such other types of cash registers as we may designate in the Brand Manual or otherwise in writing ("**POS Systems**"), which will be deemed part of your Computer System. The POS System may also include digital menu boards and such other technology as we have the right to designate. We have the right to require you to use (and you agree to use) POS Systems that are fully compatible with any program, software program, and/or system that we may employ (including mobile or remote device, application and payment systems), and you agree to record all Gross Sales and all sales information on such equipment. We may designate one or more third party suppliers or servicers to provide installation, maintenance, and/or support for the POS System, and you agree to enter into and maintain such agreements (including making such payments) as we or the third party suppliers and/or servicers require in connection with the installation, maintenance, and/or support for the POS System. We may require you to pay the applicable licensing and/or subscription fees for the POS System directly to us or our affiliates. The POS System is part of the Computer System. You agree to at all times maintain a continuous high-speed Ethernet-cabled (not wireless) connection to the Internet to send and receive POS data to us. You also agree that we will have the right to control your POS System and remotely upload and download data to that POS System.
- 14.7 *Electronic Identifiers; E-Mail.*
- 14.7.1 You agree not to use the Proprietary Marks or any abbreviation or other name associated with us and/or the System as part of any e-mail address, domain name, social network or social media name or address, and/or any other identification of you and/or your business in any electronic medium.
- 14.7.2 You agree not to transmit or cause any other party to transmit advertisements or solicitations by e-mail, text message, and/or other electronic method without obtaining our prior written consent as to: **(a)** the content of such electronic advertisements or solicitations; and **(b)** your plan for transmitting such advertisements. In addition to any other provision of this Agreement, you will be solely responsible for compliance with any laws pertaining to sending electronic communication including the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the

“CAN-SPAM Act of 2003”) and the Federal Telephone Consumer Protection Act. (As used in this Agreement, the term “**electronic communication**” includes all methods for sending communication electronically, whether or not currently invented or used, including e-mails, text messages, internet-based communication, and faxes.)

- 14.8 *Outsourcing.* You agree not to hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, and/or any other of your obligations, without our prior written approval. Our consideration of any proposed outsourcing vendors may be conditioned upon, among other things, such third party or outside vendor’s entry into a confidentiality agreement with us and you in a form that we may reasonably provide and the third party or outside vendor’s agreement to pay for all initial and ongoing costs related to interfaces with our computer systems. The provisions of this section are in addition to and not instead of any other provision of this Agreement. You agree not to install (and/or remove) any software or firmware from the Computer System without our prior written consent. You also agree not to implement, use, or otherwise engage with AI Sources without our prior written consent. The term “**AI Source**” means any resource, online or otherwise, that is for the purpose of gathering, implementing, or otherwise using information from you using artificial intelligence technology, including ChatGPT and other sources.
- 14.9 *Telephone Service.* You agree to use the telephone service for the Restaurant that we may require, which may be one or more centralized vendors that we designate for that purpose. You agree that we may designate, and own, the telephone numbers for your Franchised Business.
- 14.10 *Changes.* You acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we will have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and you agree to abide by those reasonable new standards we establish as this Section 14 were periodically revised by us for that purpose. You agree that the terms of this Section 14 apply to all technologies, whether currently available, in some stage of development, or to be invented after the date of this Agreement.
- 14.11 *Electronic Communication – Including E-Mail, Fax, and Texts.* You acknowledge and agree that exchanging information with us by electronic communication methods is an important way to enable quick, effective, and efficient communication, and that we are entitled to rely upon your use of electronic communications as part of the economic bargain underlying this Agreement. To facilitate the use of electronic communication to exchange information, you authorize the transmission of those electronic communications by us and our employees, vendors, and affiliates (on matters pertaining to the business contemplated under this Agreement) (together, “**Official Senders**”) to you during the term of this Agreement.
- 14.11.1 In order to implement the terms of this Section 14.11, you agree that: **(a)** Official Senders are authorized to send electronic communications to those of your employees as you may occasionally designate for the purpose of communicating with us and others; **(b)** you will cause your officers, directors, members, managers, and employees (as a condition of their employment or position with you) to give their consent (in an electronic communication or in a pen-and-paper writing, as we may reasonably require) to Official Senders’ transmission of electronic communication to those persons, and that such persons may not opt-out, or otherwise ask to no longer receive electronic communication, from Official Senders during the time that such person works for or is affiliated with you; and **(c)** you will not opt-out, or otherwise ask to no

longer receive electronic communications, from Official Senders during the term of this Agreement.

14.11.2 The consent given in this Section 14.11 will not apply to the provision of notices by either party under this Agreement using e-mail unless the parties otherwise agree in a pen-and-paper writing signed by both parties.

14.11.3 We may permit or require you to use a specific e-mail address (or address using another communications method) (for example, one that will contain a Top Level Domain Name that we designate, such as "john.jones@BarLouieFranchisee.com") (the "**Permitted E-mail Address**") in connection with the operation of the Franchised Business, under the standards that we set for use of that Permitted E-mail Address. You will be required to sign the form E-Mail authorization letter that we may specify for this purpose. If we assign you a Permitted E-mail Address, then you agree that you (and your employees) will use only that e-mail account for all business associated with your Franchised Business.

14.12 *Technology Fee.* You agree to pay us our then-current monthly technology fee, as specified in the Brand Manuals. Our current technology fee (which we have the right to change to address new and additional needs) is one half of one percent (0.5%) of the Gross Sales of the Franchised Business.

14.13 *Data Management Platform.* You agree to use our data management platform and pay the fees associated with that platform, which include an activation fee of Five Hundred Dollars (\$500) and a monthly license fee (which presently ranges between \$192 and \$268 per month) as and when invoiced for those fees.

15 INSURANCE

15.1 *Required Insurance Coverage.* Before starting any activities or operations under this Agreement, you agree to procure and maintain in full force and effect during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required under this Agreement for events having occurred during the Term of this Agreement), at your expense, at least the following insurance policy or policies in connection with the Franchised Business or other facilities on premises, or by reason of the construction, operation, or occupancy of the Franchised Business or other facilities on premises. Such policy or policies must be written by an insurance company or companies we have approved, having at all times a rating of at least "A-" in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide) and licensed and admitted to do business in the state in which the Franchised Business is located, and must include, at a minimum (except that we may reasonably specify additional coverages and higher policy limits for all franchisees periodically in the Brand Manual or otherwise in writing to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards and other relevant changes in circumstances), the following:

15.1.1 ~~Commercial general liability insurance, including us, and any entity in which we have an interest and any entity affiliated with us and each of our members, managers, shareholders, directors, officers, partners, employees, servants and agents as additional insureds~~ commercial general liability insurance protecting against any and all claims for personal, bodily and/or property injury occurring in or about the Restaurant and protecting against assumed or contractual liability under this Agreement with respect to the Restaurant and your operations, with such policy to be

placed with minimum limits of ~~Two Million Dollars (\$2,000,000)~~ combined single limit per occurrence and ~~Three Million Dollars (\$3,000,000)~~ general aggregate per location; ~~provided, however, that at our election, such minimum limits may be periodically increased. This coverage shall not exclude losses due to assault, battery, and/or the use or brandishing of firearms.~~

- 15.1.2 ~~Comprehensive~~ automobile liability insurance, including owned, non-owned and hired car coverage providing third party liability insurance, covering all licensed vehicles owned or operated by or on behalf of you, with limits of liability not less than ~~Two Million Dollars (\$2,000,000)~~ combined single limit for both bodily injury and property damage. ~~Such policy must have the contractual exclusion removed, unless you provide separate evidence that contractual liability for automobile exposure is otherwise insured.~~
- 15.1.3 ~~Statutory~~ statutory workers' compensation insurance and employer's liability insurance for a minimum limit equal to at least the greater of ~~One Million Dollars (\$1,000,000)~~ or the amounts required as underlying by your umbrella carrier, as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Restaurant is located.
- 15.1.4 ~~Data theft and cybersecurity~~ cyber liability coverage with limits of liability not less than ~~One Million Dollars (\$1,000,000)~~ combined single limit.
- 15.1.5 ~~Employment~~ employment practices liability insurance with limits of liability not less than ~~One Million Dollars (\$1,000,000)~~ combined single limit. including third party coverage.
- 15.1.6 ~~Workplace~~ workplace violence (active assailant) insurance with limits of liability not less than ~~One Million Dollars (\$1,000,000)~~ combined single limit;
- ~~15.1.7 Foodborne illness coverage shall be included within the general liability~~ trade name restoration coverage ~~noted in Section 15.1.1 above~~ including foodborne illness, with coverage of at least ~~One Million Dollars (\$1,000,000)~~ combined single limit ~~for both bodily injury and property damage (if not included in general~~
- ~~15.1.7 liquor~~ liquor liability coverage, ~~this must be a stand-alone policy).~~
- 15.1.8 ~~Liquor Liability coverage~~ with limits of liability not less than ~~Two Million Dollars (\$1,000,000 per occurrence and \$2,000,000)~~ combined single limit in the aggregate for both bodily injury and property damage.
- 15.1.9 ~~Commercial~~ commercial umbrella liability insurance with limits which bring the total of all primary underlying coverages (commercial general liability, ~~comprehensive liquor liability~~, automobile liability, and ~~employers~~ employers' liability) to not less than ~~Five Million Dollars (\$5,000,000)~~ total limit of liability. ~~Such umbrella liability must~~ (to provide at ~~a minimum~~ least those coverages and endorsements required in the underlying policies).
- 15.1.10 ~~Property~~ property insurance providing coverage for direct physical loss or damage to real and personal property in minimum coverage of ~~five hundred thousand dollars (\$500,000)~~ current replacement cost for the building and ~~two hundred and fifty thousand (\$250,000)~~ current replacement cost for contents coverage (with no more than a ~~ten thousand dollar (\$10,000)~~ deductible) for all risk perils, including the perils of flood and earthquake. ~~Appropriate~~ (plus appropriate coverage ~~must also be provided~~

for boiler and machinery exposures and business interruption/extra expense exposures, written on an actual loss sustained basis. ~~The policy should include, as well as~~ coverage for food spoilage of at least ~~twenty five thousand dollar (\$25,000);~~ well as coverage for food spoilage of at least ~~twenty five thousand dollar (\$25,000);~~ \$50,000; ~~off premises service interruption, ordinance and law, civil authority, as well as sewer and drain back up. The policy or policies must value property (real and personal) on a new replacement cost basis without deduction for depreciation and the amount of insurance must not be less than ninety percent (90%) of the full replacement value of the Restaurant, its furniture, fixtures, equipment, and stock (real and personal property). The policy should include, including~~ wind or named storm deductible at ~~two percent (2%)~~ two percent (2%) with ~~twenty five thousand dollar (\$25,000)~~ with twenty five thousand dollar (\$25,000) minimum per occurrence deductible. ~~Any deductibles contained in such policy will be subject to our review and approval.~~

15.1.11 ~~Professional~~ professional indemnity insurance providing coverage for loss or damage arising out of an act or omission of the franchisee or its employees, with a total liability limit of at least ~~Two Million Dollars (\$2,000,000);~~ and

15.1.12 Any No coverages listed above should contain any of the following exclusions: Assault and Battery, Abuse and Molestation, Firearms/Deadly Weapons, Sex Trafficking, Punitive Damages

~~15.1.12~~ 15.1.13 any other insurance coverage that is required by federal, state, or municipal law.

~~15.1.13 All coverages shall be written with no coinsurance penalty.~~

- 15.2 *Endorsements.* All policies listed in Section 15.1 above (unless otherwise noted below) must contain such endorsements as we will, periodically, require in the Brand Manual. All policies must waive subrogation as between us (and our insurance carriers) and you (and your insurance carriers).
- 15.3 *Notices to us.* In the event of cancellation, material change, or non-renewal of any policy, sixty (60) days' advance written notice must be provided to us in the manner provided in Section 24 below.
- 15.4 *Construction Coverages.* In connection with all significant construction, reconstruction, or remodeling of the Franchised Business during the term of this Agreement, you agree to require the general contractor, its subcontractors, and any other contractor, to effect and maintain at general contractor's and all other contractor's own expense, such insurance policies and bonds with such endorsements as are set forth in the Brand Manual, all written by insurance or bonding companies that we have approved, having a rating as set forth in Section 15.1 above.
- 15.5 *Other Insurance Does Not Impact your Obligation.* Your obligation to obtain and maintain the foregoing policy or policies in the amounts specified will not be limited in any way by reason of any insurance that we may maintain, nor will your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 21.4 below. Additionally, the requirements of this Section 15 will not be reduced, diminished, eroded, or otherwise affected by insurance that you carry (and/or claims made under that insurance) for other businesses, including other Bar Louie Restaurants that you (and/or your affiliates) operate under the System.
- 15.6 *Additional Named Insured.* All public liability and property damage policies must name Franchisor and BLH Acquisition Co. LLC as additional named insured parties, and must also

contain a provision that we, although named as an insured, will nevertheless be entitled to recover under said policies on any loss occasioned to us or our servants, agents, or employees by reason of the negligence of you or your servants, agents, or employees.

- 15.7 *Certificates of Insurance.* At least thirty (30) days before the time you are first required to carry any insurance under this Agreement, and from then on, at least thirty (30) days before the expiration of any such policy, you agree to deliver to us certificates of insurance evidencing the proper coverage with limits not less than those required under this Agreement. All certificates must expressly provide that we will receive at least thirty (30) days' prior written notice if there is a material alteration to, cancellation, or non-renewal of the coverages evidenced by such certificates. Additional certificates evidencing the insurance required by Section 15.1 above must name us, and each of our affiliates, directors, agents, and employees, as additional insured parties, and must expressly provide that any interest of same therein will not be affected by any breach by you of any policy provisions for which such certificates evidence coverage.
- 15.8 *Proof of Coverage.* In addition to your obligations under Section 15.7 above, on the first anniversary of the Effective Date, and on each subsequent anniversary of the Effective Date, you agree to provide us with proof of insurance evidencing the proper coverage with limits not less than those required under this Agreement, in such form as we may reasonably require.
- 15.9 *Required Coverages are Minimums.* You acknowledge and agree that the specifications and coverage requirements in this Section 15 are minimums only, and that we recommend that you review these with your own insurance advisors to determine whether additional coverage is warranted in the operation of your Franchised Business.
- 15.10 *Changes.* We will have the right, periodically, to make such changes in minimum policy limits and endorsements as we may determine are necessary or appropriate; provided, however, all changes will apply to all of our franchisees who are similarly situated. You agree that we may reasonably specify additional coverages and higher policy limits in the Brand Manual or otherwise in writing to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards, and/or other relevant changes in circumstances.

16 TRANSFER OF INTEREST

- 16.1 *By Us.* We will have the right to transfer or assign this Agreement and all or any part of our rights or obligations under this Agreement to any person or legal entity, and any assignee of us, which assignee will become solely responsible for all of our obligations under this Agreement from the date of assignment.
- 16.2 *Your Principals.* Each party that holds any interest whatsoever in you (whether directly, indirectly, and/or beneficially) (each, a "**Principal**"), and the interest that each Principal holds in you (directly, indirectly, and/or beneficially) is identified in Exhibit C to this Agreement. You represent and warrant to us, and agree, that your owners (and their details) are accurately set forth on Exhibit C to this Agreement, and you also agree not to permit the identity of those owners, and/or their respective interests in you, to change without complying with this Agreement.
- 16.3 *Principals.* We will have a continuing right to designate any person or entity that owns a direct or indirect interest in you as a Principal, and Exhibit C will be so amended automatically upon written notice to you.

- 16.4 *By You.* You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted this franchise in reliance on your (or your Principals') business skill, financial capacity, and personal character. Accordingly:
- 16.4.1 You agree not to make a transfer (and not to permit any other party to make a transfer) without our prior written consent.
- 16.4.1.1 As used in this Agreement, the term "**transfer**" is agreed to mean any sale, assignment, conveyance, pledge, encumbrance, merger, creation of a security interest in, and/or giving away of any direct or indirect interest in: **(a)** this Agreement; **(b)** you; **(c)** any or all of your rights and/or obligations under this Agreement; and/or **(d)** all or substantially all of the assets of the Franchised Business.
- 16.4.1.2 Any purported assignment or transfer that does not have our prior written consent as required by this Section 16 shall be null and void and shall also constitute a material breach of this Agreement, for which we may immediately terminate this Agreement without opportunity to cure, pursuant to Section 17.2.5 below.
- 16.4.2 If you are an entity (other than a partnership or a limited liability partnership), then you agree that: **(a)** without our prior written approval, you will not issue any voting securities or interests, or securities or interests convertible into voting securities; and **(b)** the recipient of any such security or other interest will become a Principal under this Agreement, if we designate them as such.
- 16.4.3 If you are a general partnership, limited partnership, or limited liability partnership, then the partners of that partnership will not, without our prior written consent, admit additional limited or general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner in such a partnership will automatically be deemed to be a Principal.
- 16.4.4 If you are a trust, then the trustee(s) of that trust shall not, without our prior written consent, admit additional trustees, remove a trustee, or otherwise materially alter the powers of any trustee, nor admit new beneficiaries or change beneficiaries. Each trustee in such a trust will automatically be deemed to be a Principal.
- 16.4.5 Principals must not, without our prior written consent, transfer, pledge, and/or otherwise encumber their interest in you. Any such transaction shall also be deemed a "transfer" under this Agreement.
- 16.4.6 You also agree that in the case of any proposed transfer, you authorize us truthfully answer questions posed to us by the proposed transferee, including providing that party with information relating to your Restaurant (such as sales reports) (although we have no obligation to do so).
- 16.5 *Transfer Conditions.* We will not unreasonably withhold any consent required by Section 16.4 above; provided, that if you propose to transfer your obligations under this Agreement or any material asset, or if any party proposes to transfer any direct or indirect interest in you, then we will have the right to require that you satisfy any or all of the following conditions before we grant our approval to the proposed transfer:

- 16.5.1 The transferor must have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, successors, and assigns, and their respective officers, directors, members, managers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including claims arising under this Agreement, any other agreement between you and us, and/or our respective affiliates, and federal, state, and local laws and rules.
- 16.5.2 The transferee of a Principal will be designated as a Principal and each transferee who is designated a Principal must enter into a written agreement, in a form satisfactory to us, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in you; and, if your obligations were guaranteed by the transferor, the Principal must guarantee the performance of all such obligations in writing in a form satisfactory to us.
- 16.5.3 The proposed new Principals (after the transfer) must meet our educational, managerial, and business standards; each must possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Franchised Business, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the Franchised Business.
- 16.5.4 We will have the right to require that you execute, for a term ending on the expiration date of this Agreement, the form of franchise agreement that we are then offering to new System franchisees, and such other ancillary agreements that we may require for the business franchised under this Agreement, and those agreements will supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including a higher royalty and marketing fee.
- 16.5.5 If we request, then you must conduct Remodeling and purchase new equipment to conform to the then-current standards and specifications of new Bar Louie Restaurants then-being established in the System, and you agree to complete the upgrading and other requirements specified above in Section 8.8.2 within the time period that we specify.
- 16.5.6 You agree to pay in full all of your monetary obligations to us and our affiliates, and to all vendors (whether arising under this Agreement or otherwise), and you must not be otherwise in default of any of your obligations under this Agreement (including your reporting obligations).
- 16.5.7 The transferor must remain liable for all of the obligations to us in connection with the Franchised Business that arose before the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and must execute any and all instruments that we reasonably request to evidence such liability.
- 16.5.8 A Principal of the transferee whom we designate to be a new Managing Owner, and those of the transferee's Specially Trained Management Employees as we may require, must successfully complete (to our satisfaction) all training programs that we require upon such terms and conditions as we may reasonably require (and while we will not charge a fee for attendance at such training programs, the transferee will be responsible for the salary and all expenses of the person(s) that attend training).
- 16.5.9 You agree to pay us a transfer fee to compensate us for our legal, accounting, training, and other expenses incurred in connection with the transfer. The transfer fee will be

Five Thousand Dollars (\$5,000) or ten percent (10%) of the initial franchise fee that we are then-charging to new Bar Louie Restaurant franchisees (whichever is more). If any party has engaged a broker with respect to the transfer, you agree to pay (or ensure the buyer's payment of) any applicable commission to the broker in connection with the transfer.

16.5.10 The transferor must acknowledge and agree that the transferor will remain bound by the covenants contained in Sections 19.3, 19.4, and 19.5 below.

16.6 *Right of First Refusal.* If you or any of your Principals wish to accept any *bona fide* offer from a third party to purchase you, any of your material assets, or any direct or indirect interest in you, then all of the following will apply:

16.6.1 You (or the Principal who proposes to sell his/her interest) must promptly notify us in writing of the offer and provide to us the information and documentation relating to the offer that we may require. We will have the right and option, exercisable within thirty (30) days after we have received all such information that we have requested, to send written notice to the seller that we intend to purchase the seller's interest on the same economic terms and conditions offered by the third party. After exercising our right, we will also have the right to conduct additional reasonable due diligence and to require the seller to enter into a purchase agreement in a form mutually acceptable to us and to the seller. If we elect to purchase the seller's interest, then the closing on such purchase will occur within thirty (30) days from the date of notice to the seller of the election to purchase by us.

16.6.2 Any material change in the terms of the offer before closing will constitute a new offer subject to our same rights of first refusal (as set forth in this Section 16.6) as in the case of the third party's initial offer. If we do not exercise the option afforded by this Section 16.6 that will not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 16, with respect to a proposed transfer.

16.6.3 If the consideration, terms, and/or conditions offered by a third party are such that we may not reasonably be required to furnish the same consideration, terms, and/or conditions, then we may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one independent appraiser, then we will promptly designate an independent appraiser and you will promptly designate another independent appraiser and those two appraisers will, in turn, promptly designate a third appraiser; and all three appraisers will promptly confer and reach a single determination (or, if unable to reach a single determination, a valuation determined by a majority vote of those appraisers), which determination will be binding upon both you and us. Both parties will equally share the cost of any such appraisal.

16.6.4 If we exercise our rights under this Section 16.6, then we will have the right to set off all amounts due from you (including one-half (1/2) of the cost of an appraisal, if any, conducted under Section 16.6.3 above) against any payment to you.

16.7 *Death or Incapacity.* If you or any Principal dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must promptly notify us of the circumstances, and apply to us in writing within three (3) months after

the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to transfer the person's interest. The transfer will be subject to the provisions of this Section 16, as applicable; however, we will not impose a transfer fee for such a transfer if you reimburse us for our reasonable out-of-pocket expenses incurred in reviewing, approving, and documenting a your proposed transaction, including our attorneys' fees.

- 16.7.1 In addition, if the deceased or incapacitated person is the Managing Owner, we will have the right (but not the obligation) to take over operation of the Franchised Business until the transfer is completed and to charge a reasonable management fee for our services.
- 16.7.2 For purposes of this section, "**incapacity**" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement: (a) for a period of thirty (30) or more consecutive days; or (b) for sixty (60) or more total days during a calendar year. In the case of transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 16.3, the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for transfers contained in this Agreement.
- 16.7.3 If an interest is not disposed of under this section within six (6) months after the date of death or appointment of a personal representative or trustee, we may terminate this Agreement under Section 17.2 below.
- 16.8 *Consent to Transfer.* Our consent to a transfer that is the subject of this Section 16 will not constitute a waiver of any claims that we may have against the transferring party, nor will it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.
- 16.9 *No Transfers to a Non-Franchisee Party to Operate a Similar Restaurant.* You agree that neither you nor any Principal of yours will transfer or attempt to transfer any or all of your Franchised Business to a third party who will operate a similar business at the Accepted Location but not under the System and the Proprietary Marks, and not under a franchise agreement with us.
- 16.10 *Bankruptcy Issues.* If you or any person holding any interest (direct or indirect) in you become a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of you, your obligations, and/or rights under this Agreement, any material assets of yours, and/or any indirect or direct interest in you will be subject to all of the terms of this Section 16, including the terms of Sections 16.4, 16.5, and 16.6 above.
- 16.11 *Securities Offers.* All materials for an offering of stock, ownership, and/or partnership interests in you or any of your affiliates that are required by federal or state law must be submitted to us for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering must be submitted to us for such review before their use.
- 16.11.1 You agree that: (a) no offering by you or any of your affiliates may imply (by use of the Proprietary Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities or your affiliates; (b) our review of any offering will be limited solely to the relationship between you and us (and, if applicable, any of your affiliates and us); and (c) we will have the right, but not obligation, to require

that the offering materials contain a written statement that we require concerning the limitations stated above.

- 16.11.2 You (and the offeror if you are not the offering party), your Principals, and all other participants in the offering must fully indemnify us and all of the Franchisor Parties (as defined in Section 21.5.2 below) in connection with the offering.
- 16.11.3 For each proposed offering, you agree to pay us a non-refundable fee of Five Thousand Dollars (\$5,000) or such greater amount as is necessary to reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing, approving, and documenting the proposed offering.
- 16.11.4 You agree to give us written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 16.11 commences. Any such offering will be subject to all of the other provisions of this Section 16, including the terms set forth in Sections 16.4, 16.5, 16.6; and further, without limiting the foregoing, it is agreed that any such offering will be subject to our approval as to the structure and voting control of the offeror (and you, if you are not the offeror) after the financing is completed.
- 16.11.5 You also agree that after your initial offering, described above, for the remainder of the term of the Agreement, you will submit to us for our review and prior written approval all additional securities documents (including periodic reports, such as quarterly, annual, and special reports) that you prepare and file (or use) in connection with any such offering. You agree to reimburse us for our reasonable costs and expenses (including legal and accounting fees) that we incur in connection with our review of those materials.

17 DEFAULT AND TERMINATION

- 17.1 *Automatic.* If any one or more of the following events take place, then you will be deemed to be in default under this Agreement, and all rights granted in this Agreement will automatically terminate without notice to you: (a) if you become insolvent or makes a general assignment for the benefit of creditors; (b) if a bill in equity or other proceeding for the appointment of a receiver for you or another custodian for your business or assets is filed and consented to by you; (c) if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; (d) if proceedings for a composition with creditors under any state or federal law is instituted by or against you; (e) if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless unappealed or a supersedeas bond is filed); (f) if you are dissolved; or if execution is levied against your business or property; (g) if suit to foreclose any lien or mortgage against the Franchised Business premises or equipment is instituted against you and not dismissed within thirty (30) days; and/or (h) if the real or personal property of your Franchised Business will be sold after levy thereupon by any sheriff, marshal, or constable.
- 17.2 *With Notice.* If any one or more of the following events occur, then you will be in default under this Agreement, and we will have the right to terminate this Agreement and all rights granted under this Agreement, without affording you any opportunity to cure the default, effective immediately upon the delivery of our written notice to you (in the manner provided in Section 24 below):
 - 17.2.1 If you do not obtain an Accepted Location for the Franchised Business within the time limits specified under the Site Selection Addendum, or if you do not construct and open

the Franchised Business within the time limits specified in Sections 5.1 and 8.2 above, and within the requirements specified in Sections 5 and 8.2 above;

- 17.2.2 If at any time: **(a)** you cease to operate or otherwise abandon the Franchised Business for two (2) or more consecutive business days and/or two (2) or more business days within any week (during which you are otherwise required to be open, and without our prior written consent otherwise, unless necessary due to an event of force majeure as defined in Section 22 below); **(b)** you lose the right to possession of the premises; **(c)** forfeit the right to do or transact business in the jurisdiction where the Franchised Business is located (however, if through no fault of yours, the premises are damaged or destroyed by an event such that you cannot complete repairs or reconstruction within ninety (90) days thereafter, then you will have thirty (30) days after such event in which to apply for our approval to relocate and/or reconstruct the premises, which approval we will not unreasonably withhold);
- 17.2.3 If you or any of your Principals are charged with and/or convicted of a felony, a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein;
- 17.2.4 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Business;
- 17.2.5 If you or any of your Principals purport to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 16 above;
- 17.2.6 If you fail to comply with the requirements of Section 19 below;
- 17.2.7 If you fail to obtain and/or maintain all of the licenses needed so that you are permitted to lawfully offer and sell all alcoholic beverages in your Franchised Business;
- 17.2.8 If, contrary to the terms of Sections 10 or 11 above, you disclose or divulge the contents of the Brand Manual or other confidential information that we provide to you;
- 17.2.9 If an approved transfer of an interest in you is not completed within a reasonable time, as required by Sections 16.7 above;
- 17.2.10 If you knowingly maintain false books or records, or submit any false reports (including information provided as part of your application for this franchise) to us;
- 17.2.11 If you commit three (3) or more defaults under this Agreement in any fifty-two (52) week period, whether or not each such default has been cured after notice;
- 17.2.12 If, after receipt of notice from us of a violation of the provisions of Sections 7.1 and/or 8.4 above, you continue to purchase any Products from an unapproved supplier, or sell any products or services from the Restaurant that are not Products or Services, as prohibited under Sections 7.1 and 8.4 above;
- 17.2.13 If you engage in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice; and/or

- 17.2.14 If you make any unauthorized or improper use of the Proprietary Marks, or if you or any of your Principals use the Proprietary Marks in a manner that we do not permit (whether under this Agreement and/or otherwise) or that is inconsistent with our direction, or if you or any of your Principals directly or indirectly contest the validity of our ownership of the Proprietary Marks, our right to use and to license others to use the Proprietary Marks, or seek to (or actually do) register any of our Proprietary Marks with any agency (public or private) for any purpose without our prior written consent to do so.
- 17.3 *With Notice and Opportunity to Cure.*
- 17.3.1 Except as otherwise provided above in Sections 17.1 and 17.2 above, if you are in default of your obligations under this Agreement, then we may terminate this Agreement by giving you written notice of termination (in the manner provided under Section 24 below) stating the nature of the default at least thirty (30) days before the effective date of termination; provided, however, that you may avoid termination by: **(a)** immediately initiating a remedy to cure such default; **(b)** curing the default to our satisfaction; and **(c)** promptly providing proof of the cure to us, all within the thirty (30) day period. If you do not cure any such default within the specified time (or such longer period as applicable law may require), then this Agreement will terminate without further notice to you effective immediately upon the expiration of the thirty (30) day period (or such longer period as applicable law may require).
- 17.3.2 If you are in default under the terms of any other franchise agreement or other contract between you (and/or your affiliates) and us (and/or our affiliates), that will also constitute a default under Section 17.3.1 above.
- 17.4 *Bankruptcy.* If, for any reason, this Agreement is not terminated pursuant to this Section 17, and the Agreement is assumed, or assignment of the same to any person or entity who has made a *bona fide* offer to accept an assignment of the Agreement is contemplated, pursuant to the U.S. Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: **(a)** the name and address of the proposed assignee; and **(b)** all of the terms and conditions of the proposed assignment and assumption; must be given to us within twenty (20) days after receipt of such proposed assignee's offer to accept assignment of (or to assume) the Agreement; and, in any event, within ten (10) days before the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption. We will then have the prior right and option, to be exercised by notice given at any time before the effective date of such proposed assignment and assumption, to accept an assignment of the Agreement to us upon the same terms and conditions, and for the same consideration, if any, as in the *bona fide* offer made by the proposed assignee, less any brokerage commissions that may be payable by you out of the consideration to be paid by such assignee for the assignment (or assumption) of the Agreement.
- 17.5 *Our Rights Instead of Termination.* If we are entitled to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, we will also have the right to take any lesser action instead of terminating this Agreement, including terminating, modifying, or eliminating completely, the Protected Territory described in Section 1.3 above.
- 17.6 *Reservation of Rights under Section 17.5.* If any rights, options, arrangements, or areas are terminated or modified in accordance with Section 17.5 above, such action will be without prejudice to our right to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, and/or to terminate any other rights, options or arrangements under this Agreement at

any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.

- 17.7 *Damages.* You agree that you will pay us all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of any default by you under this Agreement and any other agreement between the parties (and their respective affiliates) (in addition to other remedies that we may have).

18 OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted under this Agreement to you will forthwith terminate, and all of the following will take effect:

- 18.1 *Cease Operation.* You agree to: **(a)** immediately and permanently stop operating the Franchised Business; and **(b)** never directly or indirectly represent to the public that you are a present or former franchisee of ours.
- 18.2 *Stop Using Marks and Intellectual Property.* You agree to immediately and permanently cease to use, in any manner whatsoever, all aspects of the System, including any confidential methods, procedures and techniques associated with the System, the mark "Bar Louie" and any and all other Proprietary Marks, distinctive forms, slogans, signs, symbols, and devices associated with the System, and any and all other intellectual property associated with the System. Without limiting the foregoing, you agree to stop making any further use of any and all signs, marketing materials, displays, stationery, forms, and any other articles that display the Proprietary Marks.
- 18.3 *Cancel Assumed Names.* You agree to take such action as may be necessary to cancel any assumed name or equivalent registration which contains the mark "Bar Louie" and any and all other Proprietary Marks, and/or any other service mark or trademark of ours, and you will give us evidence that we deem satisfactory to provide that you have complied with this obligation within five (5) days after termination or expiration of this Agreement.
- 18.4 *Premises.* We will have the right (but not the obligation) to require you to assign to us any interest that you (and/or your affiliates) may have in the lease or sublease for the ground upon which the Restaurant is operated and/or for the building in which the Restaurant is operated.
- 18.4.1 If we do not elect or if we are unable to exercise any option we may have to acquire the lease or sublease for the premises of the Franchised Business, or otherwise acquire the right to occupy the premises, you will make such modifications or alterations to the premises operated under this Agreement (including the changing of the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of said premises from that of other Bar Louie Restaurants, and must make such specific additional changes thereto as we may reasonably request for that purpose. In addition, you will cease use of all telephone numbers and any domain names, websites, e-mail addresses, and any other print and online identifiers, whether or not authorized by us, that you have while operating the Franchised Business, and must promptly execute such documents or take such steps necessary to remove reference to the Franchised Business from all trade or business directories, including online directories, or at our request transfer same to us.

- 18.4.2 If you fail or refuse to comply with all of the requirements of this Section 18.4, then we (or our designee) will have the right to enter upon the premises of the Franchised Business, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at your cost, which expense you agree to pay upon demand.
- 18.4.3 If you own or otherwise directly or indirectly control the premises at which the Restaurant is operated, then you agree to lease (or cause to be leased) the premises to us for a period that is the same as the current term of this Agreement (with an option for any and all remaining renewal terms under this Agreement) at a mutually-agreed-upon market-rate rental. If the parties cannot reach agreement on a market-rate rental then they shall each promptly appoint a local real estate appraiser, and those two appraisers, in turn, shall promptly appoint a third neutral real estate appraiser, and the determination of the third (neutral) real estate appraiser as to the market-rate rental shall be binding on both parties.
- 18.5 *Our Option to Buy Your Assets.* We will have the right (but not the obligation), which we may exercise at any time within thirty (30) days after expiration, termination, or default under this Agreement and/or default under your lease/sublease for the premises, to buy from you (and/or your affiliates) any or all of your furnishings, equipment, signs, fixtures, supplies, or inventory related to the operation of the Franchised Business, at the lesser of your cost or fair market value. The parties agree that "cost" will be determined based upon a five (5) year straight-line depreciation of original costs. For equipment and fixtures that are five (5) or more years old, the parties agree that fair market value is deemed to be ten percent (10%) of the equipment's original cost. If we elect to exercise any option to purchase provided in this Section, we will have the right to set off all amounts due from you.
- 18.6 *No Use of the Marks in Other Businesses.* You agree, if you continue to operate or subsequently begin to operate any other business, that you will not use any reproduction, counterfeit copy, and/or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute our rights in and to the Proprietary Marks. You further agree not to use, in any manner whatsoever, any designation of origin, description, trademark, service mark, or representation that suggests or implies a past or present association or connection with us, the System, the equipment, and/or the Proprietary Marks.
- 18.7 *Pay All Sums Due.* You agree to promptly pay all sums owing to us and our affiliates (regardless whether those obligations arise under this Agreement or otherwise). In the event of termination for any of your defaults, those sums will include all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of the default.
- 18.8 *Pay Damages.* You agree to pay us all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur as a result of your default under this Agreement and/or subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 18, which will be in addition to amounts due to us under Section 18.11 below.
- 18.9 *Return Confidential Information.* You agree to immediately return to us the Brand Manual, the Program Materials, and all other manuals, records, and instructions containing confidential information (including any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be our property.

- 18.10 *Right to Enter and Continue Operations.* In order to preserve the goodwill of the System following termination, we (or our designee) will have the right to enter the Franchised Business (without liability to you, your Principals, or otherwise) for the purpose continuing the Franchised Business's operation and maintaining the goodwill of the business.
- 18.11 *Lost Future Royalties.* If we terminate this Agreement based on your default, or if you abandon or otherwise cease to operate the Franchised Business, then in addition to all other amounts due to us under this Agreement (and all other remedies that we have the right to exercise), you agree to pay to us, as liquidated damages, an amount calculated as follows: **(a)** the average of your monthly Royalty Fees that are due under this Agreement for the twelve (12) months immediately before your abandonment or our delivery of the notice of default (or, if you have been operating for less than 12 months, the average of your monthly Royalty Fees for the number of months you have operated the Restaurant); **(b)** multiplied by the lesser of thirty-six (36) or the number of months remaining in the then-current term of this Agreement under Section 2.
- 18.12 *Our Rights.* You agree not to do anything that would potentially interfere with or impede the exercise of our rights under this Section 18.
- 18.13 *Offsets.* We have the right to offset amounts that you owe to us against any payment that we may be required to make under this Agreement.

19 COVENANTS

- 19.1 *Full Time Efforts.* You agree that during the term of this Agreement, except as we have otherwise approved in writing, you (or the Managing Owner) will devote full time, energy, and best efforts to the management and operation of the Franchised Business.
- 19.2 *Understandings.*
- 19.2.1 You acknowledge and agree that: **(a)** pursuant to this Agreement, you will have access to valuable trade secrets, specialized training and Confidential Information from us and our affiliates regarding the development, operation, management, purchasing, sales and marketing methods and techniques of the System; **(b)** the System and the opportunities, associations and experience we have established and that you will have access to under this Agreement are of substantial and material value; **(c)** in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; **(d)** we would be unable to adequately protect the System and its trade secrets and Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among franchisees in our system if franchisees were permitted to hold interests in Competitive Businesses (as defined below); and **(e)** restrictions on your right to hold interests in, or perform services for, Competitive Businesses will not unreasonably or unnecessarily hinder your activities.
- 19.2.2 As used in this Section 19, the term "**Competitive Business**" is agreed to mean a full-service bar and grill casual dining restaurant that offers a broad menu of American cuisine items and whose sales of any single category of food or beverage items (such as salads, sandwiches, burgers, tacos, or flatbreads) ~~do not~~ exceed thirty percent (30%) of that restaurant's total offerings and/or sales.
- 19.3 *Covenant Not to Compete or Engage in Injurious Conduct.* Accordingly, you covenant and agree that, during the term of this Agreement and for a continuous period of two (2) years after

the expiration or termination of this Agreement, and/or a transfer as contemplated in Section 16 above, you will not directly, indirectly, for yourself, or through, on behalf of, or in conjunction with any party, in any manner whatsoever, do any of the following:

- 19.3.1 Divert or attempt to divert any actual or potential business or customer of any Bar Louie Restaurant to any competitor or otherwise take any action injurious or prejudicial to the goodwill associated with the Marks and the System.
 - 19.3.2 Own, maintain, develop, operate, engage in, assist, franchise or license, make loans to, lease real or personal property to, and/or have any whatsoever interest in, or render services or give advice to, any Competitive Business.
- 19.4 *Where Restrictions Apply.* During the term of this Agreement, there is no geographical limitation on the restrictions set forth in Section 19.3 above. During the two-year period following the expiration or earlier termination of this Agreement, or a transfer as contemplated under Section 16 above, these restrictions will apply only within the Protected Territory, within five (5) miles of the Protected Territory, and also within five (5) miles of any then-existing or planned Bar Louie Restaurant business operated elsewhere. These restrictions will not apply to businesses that you operate that we (or our affiliates) have franchised to you (or your affiliates) pursuant to a valid "Bar Louie" franchise agreement.
- 19.5 *Post-Term.* You further covenant and agree that, for a continuous period of two (2) years after: (a) the expiration of this Agreement; (b) the termination of this Agreement; and/or (c) a transfer as contemplated in Section 16 above; and:
- 19.5.1 You agree not to directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, firm, partnership, corporation, or other entity, sell, assign, lease, and/or transfer the Accepted Location to any person, firm, partnership, corporation, or other entity that you know, or have reason to know, intends to operate a Competitive Business at the Accepted Location.
 - 19.5.2 You agree that, by the terms of any conveyance, selling, assigning, leasing or transferring your interest in the Accepted Location, you shall include these restrictive covenants as necessary to ensure that a Competitive Business that would violate this Section is not operated at the Accepted Location for this two-year period, and you will take all steps necessary to ensure that these restrictive covenants become a matter of public record.
- 19.6 *Periods of Non-Compliance.* Any period of non-compliance with the requirements of this Section 19, whether such non-compliance takes place after termination, expiration, and/or a transfer, will not be credited toward satisfying the two-year obligation specified above.
- 19.7 *Publicly-Held Entities.* Section 19.3.3 above will not apply to your ownership of less than two percent (2%) beneficial interest in the outstanding equity securities of any publicly-held corporation that is not an affiliate of yours. As used in this Agreement, the term "**publicly-held corporation**" will be deemed to refer to a corporation which has securities that have been registered under the Securities Exchange Act of 1934.
- 19.8 *Personal Covenants.* You agree to require and obtain execution of covenants similar to those set forth in Sections 9.3, 11, 16, 18 above, and this Section 19 (as modified to apply to an individual), from your Specially Trained Management Employees and other managerial and/or executive staff, as well as your Principals. The covenants required by this section must be in the form provided in Exhibit F to this Agreement. If you do not obtain execution of the

covenants required by this section and deliver to us those signed covenants, that failure will constitute a default under Section 17.2.6 above.

- 19.9 *Construction.* The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. We have the right to reduce the scope of any part of this Section 19 and, if we do so, you agree to comply with the obligations as we have reduced them.
- 19.10 *Claims Not a Defense.* You agree that the existence of any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants in this Section 19. You agree to pay all costs and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in connection with the enforcement of this Section 19.
- 19.11 *Covenant as to Anti-Terrorism Laws.* You and the owners of your business ("**Owners**") agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, you and the Owners certify, represent, and warrant that none of their respective property or interests are "blocked" under any of the Anti-Terrorism Laws and that neither you nor any of the Owners are in violation of any of the Anti-Terrorism Laws. You also agree not to knowingly hire or do business with (or continue to employ or do business with) any party who is blocked under any of the Anti-Terrorism Laws. The term "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, as supplemented, the USA PATRIOT Act, and all other laws and regulations addressing or in any way relating to terrorist acts and/or acts of war.
- 19.12 *Defaults.* You acknowledge and agree that your violation of the terms of this Section 19 would result in irreparable injury to us for which no adequate remedy at law may be available, and you accordingly consent to the issuance of an injunction prohibiting any conduct in violation of the terms of this Section 19.

20 TAXES, PERMITS, AND INDEBTEDNESS

- 20.1 *Payment of Taxes.* You agree to promptly pay when due all taxes levied or assessed, including unemployment and sales taxes, and all accounts and other indebtedness of every kind that you incur in the conduct of the business franchised under this Agreement. You agree to pay us an amount equal to any sales tax, gross receipts tax, or similar tax imposed on us with respect to any payments that you make to us as required under this Agreement, unless the tax is credited against income tax that we otherwise pay to a state or federal authority.
- 20.2 *Payment of Trade Creditors.* You agree to promptly pay when due all trade creditors and vendors (including any that are affiliated with us) that supply goods or services to you and/or the Franchised Business.
- 20.3 *Your Right to Contest Liabilities.* If there is a bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event will you permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Franchised Business, or any improvements thereon.
- 20.4 *Compliance with Law.* You agree to comply with all federal, state, and local laws, rules, and regulations, and to timely obtain any and all permits, certificates, or licenses necessary for the

full and proper conduct of the Franchised Business, including licenses to do business, health certificates, fictitious name registrations, sales tax permits, fire clearances, and liquor licenses. To the extent that the requirements of any such laws are in conflict with the terms of this Agreement, the Brand Manual, or our other instructions, you agree to: **(a)** comply with said laws; **(b)** immediately provide us with written notice describing the nature of the conflict; and **(c)** cooperate with us and our counsel in developing a way to comply with the terms of this Agreement, as well as applicable law, to the extent that it is possible to do so.

- 20.5 *Notice of Violations and Actions.* You agree to notify us in writing within five (5) days after you receive notice of any health or safety violation, the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, or within five (5) days occurrence of any accident or injury which may adversely affect the operation of the Franchised Business or your financial condition, or give rise to liability or a claim against either party to this Agreement.

21 INDEPENDENT CONTRACTOR AND INDEMNIFICATION

- 21.1 *Independent Contractor Relationship.* The parties acknowledge and agree that:

21.1.1 this Agreement does not create a fiduciary relationship between them;

21.1.2 you are the only party that will be in day-to-day control of your franchised business, even though we will share the brand and Proprietary Marks as specified in this Agreement, and neither this Agreement nor any of the systems, guidance, computer programs, processes, or requirements under which you operate alter that basic fact;

21.1.3 nothing in this Agreement and nothing in our course of conduct is intended to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever; and

21.1.4 neither this Agreement nor our course of conduct is intended, nor may anything in this Agreement (nor our course of conduct) be construed, to state or imply that we are the employer of your employees and/or independent contractors, nor vice versa

- 21.2 *Notice of Status.* At all times during the term of this Agreement and any extensions hereof, you will hold yourself out to the public as an independent contractor operating the business pursuant to a franchise from us. You agree to take such action as may be necessary to do so, including exhibiting a notice of that fact in a conspicuous place at the Accepted Location visible to consumers (as well as a notice in a conspicuous place in the back of the house visible to your staff), the content of which we reserve the right to specify.

- 21.3 *No Contracts in our Name.* It is understood and agreed that nothing in this Agreement authorizes you to make any contract, agreement, warranty, or representation on our behalf, or to incur any debt or other obligation in our name; and that we will in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action; nor will we be liable by reason of any act or omission in your conduct of the Franchised Business or for any claim or judgment arising therefrom against either party to this Agreement.

- 21.4 *Indemnification.*

21.4.1 You agree to indemnify, defend, and hold each of the Indemnified Parties harmless against any and all Expenses arising directly or indirectly from any Claim, as well as from any claimed breach by you of this Agreement. Your indemnity obligations shall:

(a) survive the expiration or termination of this Agreement, and shall not be affected by any insurance coverage that you and/or any Indemnified Party may maintain; and (b) exclude any Claim and/or Expense that a court with competent jurisdiction determines was caused solely by an Indemnified Party's gross negligence and/or willful misconduct.

21.4.2 *Procedure.* We will give you notice of any Claim and/or Expense for which the Indemnified Parties intend to seek indemnification; however, if we do not give that notice, it will not relieve you of any obligation (except to the extent of any actual prejudice to you). You will have the opportunity to assume the defense of the Claim, at your expense and through legal counsel reasonably acceptable to us, provided that in our judgment, you proceed in good faith, expeditiously, and diligently, and that the defense you undertake does not jeopardize any defenses of the Indemnified Parties. We shall have the right: (i) to participate in any defense that you undertake with counsel of our own choosing, at our expense; and (ii) to undertake, direct, and control the defense and settlement of the Claim (at your expense) if in our sole judgment you fail to properly and competently assume defense of the Claim within a reasonable time and/or if, in our sole judgment, there would be a conflict of interest between your interest and that of any Indemnified Party.

21.4.3 *Definitions.* As used in this Section 21.4, the parties agree that the following terms will have the following meanings:

21.4.3.1 **"Claim"** means any allegation, cause of action, and or complaint asserted by a third party that is the result of, or in connection with, your exercise of your rights and/or carrying out of your obligations under this Agreement (including any claim associated with your operation of the Restaurant, sale of Products or Services, events occurring at the Restaurant, data theft or other data-related event, any claim brought by a prospective, current, or former employee and/or contractor of the Franchised Business, and/or any actual or perceived Operating Code violation, and/ or otherwise), or any default by you under this Agreement (including all claims, demands, causes of action, suits, damages, settlement costs, liabilities, fines, penalties, assessments, judgments, losses, and Expenses). For the sake of clarify, the parties confirm that the indemnification obligations under Sections 9.2.9.2(b) and 16.11.2 are included within this definition of a Claim.

21.4.3.2 **"Expenses"** includes without limitation interest charges; fees for accountants, attorneys and their staff, arbitrators, and expert witnesses; costs of investigation and proof of facts; court costs; travel and living expenses; and other costs and expenses associated with litigation, investigative hearings, or alternative dispute resolution, whether or not a proceeding is formally commenced.

21.4.3.3 **"Indemnified Parties"** means us and our affiliates, and their respective officers, directors, shareholders, members, managers, agents, and employees.

21.5 *Our Indemnification.* We will indemnify you with respect to the Proprietary Marks as specified in Section 9.2.9 above.

22 FORCE MAJEURE

- 22.1 *Impact.* Neither party will be responsible to the other for non-performance or delay in performance occasioned by causes beyond its control, including without limiting the generality of the foregoing: **(a)** acts of nature; **(b)** acts of war, terrorism, or insurrection; **(c)** strikes, lockouts, labor actions, boycotts, floods, fires, hurricanes, tornadoes, and/or other casualties; and/or **(d)** our inability (and that of our affiliates and/or suppliers) to manufacture, purchase, and/or cause delivery of any services or products used in the operation of the Franchised Business.
- 22.2 *Transmittal of Funds.* The inability of either party to obtain and/or remit funds will be considered within control of such party for the purpose of Section 22.1 above. If any such delay occurs, any applicable time period will be automatically extended for a period equal to the time lost; provided, however, that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay; and further provided, however, that you will remain obligated to promptly pay all fees owing and due to us under this Agreement, without any such delay or extension.

23 APPROVALS AND WAIVERS

- 23.1 *Request for Approval.* Whenever this Agreement requires our prior approval or consent, agree to make a timely written request to us therefor, and such approval or consent must be obtained in writing.
- 23.2 *No Warranties or Guarantees.* You acknowledge and agree that we make no warranties or guarantees upon which you may rely, and that we assume no liability or obligation to you, by providing any waiver, approval, consent, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.
- 23.3 *No Waivers.* No delay, waiver, omission, or forbearance on our part to exercise any right, option, duty, or power arising out of any breach or default by you or any other franchisee under any of the terms, provisions, covenants, or conditions of this Agreement, and no custom or practice by the parties at variance with the terms of this Agreement, will constitute our waiver of our right to enforce any such right, option, duty, or power as against you, or as to subsequent breach or default by you. If we accept late payments from you or any payments due, that will not be deemed to be our waiver of any earlier or later breach by you of any terms, provisions, covenants, or conditions of this Agreement. No course of dealings or course of conduct will be effective to amend the terms of this Agreement.

24 NOTICES

Any and all notices required or permitted under this Agreement must be in writing and must be personally delivered, sent by certified U.S. mail, or by other means which affords the sender evidence of delivery, of rejected delivery, or attempted delivery to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means that gives the sender evidence of delivery, rejected delivery, or delivery that is not possible because the recipient moved and left no forwarding address will be deemed to have been given at the date and time of receipt, rejected, and/or attempted delivery. The Brand Manual, any changes that we make to the Brand Manual, and/or any other written instructions that we provide relating to operational matters, are not considered to be "notices" for the purpose of the delivery requirements in this Section 24.

25 ENTIRE AGREEMENT AND AMENDMENT

- 25.1 *Entire Agreement.* This Agreement and the exhibits referred to in this Agreement constitute the entire, full, and complete Agreement between the parties to this Agreement concerning the subject matter hereof, and supersede all prior agreements. The parties confirm that: **(a)** they were not induced by any representations other than the words of this Agreement (and the FDD) before deciding whether to sign this Agreement; **(b)** that this Agreement replaces and supersedes any previous communications that they may have had concerning the subject matter of this Agreement; and **(c)** they relied only on the words printed in this Agreement in deciding whether to enter into this Agreement. (However, nothing in this Agreement is intended (nor may it be interpreted) as a disclaimer by us of any representation made in our Franchise Disclosure Document ("**FDD**"), including the exhibits and any amendments to the FDD).
- 25.2 *Amendment.* Except for those changes that we are permitted to make unilaterally under this Agreement, no amendment, change, or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

26 SEVERABILITY AND CONSTRUCTION

- 26.1 *Introductory Paragraphs.* The parties agree that the introductory paragraphs of this Agreement, under the heading "Introduction," are accurate, and the parties agree to incorporate those paragraphs into the text of this Agreement as if they were printed here in full.
- 26.2 *Severability.* Except as expressly provided to the contrary in this Agreement, each portion, section, part, term, and/or provision of this Agreement will be considered severable; and if, for any reason, any section, part, term, and/or provision in this Agreement is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such will not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter will continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions will be deemed not to be a part of this Agreement.
- 26.3 *No Third Party Rights.* Except as expressly provided to the contrary in this Agreement, nothing in this Agreement is intended, nor will be deemed, to confer upon any person or legal entity other than you, we, and such of our respective successors and assigns as may be contemplated (and, as to you, permitted) by Section 16.4 above, any rights or remedies under or by reason of this Agreement.
- 26.4 *Captions Don't Amend Terms.* All captions in this Agreement are intended solely for the convenience of the parties, and no caption will be deemed to affect the meaning or construction of any provision hereof.
- 26.5 *Including.* The parties agree that when used in this Agreement, the terms "includes" and "including" means "*including but not limited to*".
- 26.6 *Survival.* All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, will so survive the expiration and/or termination of this Agreement.

- 26.7 *How We Exercise Our Rights.* Although we may exercise any of our rights, carry out any of our obligations, or otherwise discharge any of our duties under this Agreement directly, through the use of employees, independent contractors, professional advisors (for example, a CPA), or otherwise, we will still remain responsible for the proper performance of our obligations to you under this Agreement. You agree that in any instance in which we have a right as set out in this Agreement, we may exercise that right (unless otherwise provided) once and/or at any additional times that we deem it appropriate to do so.
- 26.8 *Expenses.* Each party will bear all of the costs of exercising its rights and carrying out its responsibilities under this Agreement, except as otherwise provided.
- 26.9 *Counterparts.* This Agreement may be signed in counterparts, and signature pages may be exchanged by fax, each such counterpart, when taken together with all other identical copies of this Agreement also signed in counterpart, will be considered as one complete Agreement.

27 APPLICABLE LAW AND DISPUTE RESOLUTION

- 27.1 *Choice of Law.* This Agreement takes effect when we accept and sign this document. This Agreement will be interpreted and construed exclusively under the laws of the State of Texas, which laws will prevail in the event of any conflict of law (without regard to, and without giving effect to, the application of Texas choice-of-law rules); provided, however, that if the covenants in Section 19 of this Agreement would not be enforced as written under Texas law, then the parties agree that those covenants will instead be interpreted and construed under the laws of the state in which the Franchised Business is located. Nothing in this Section 27.1 is intended by the parties to invoke the application of any franchise, business opportunity, antitrust, implied covenant, unfair competition, fiduciary, and/or other doctrine of law of the State of Texas (or any other state) that would not otherwise apply without this Section 27.1.
- 27.2 *Choice of Venue.* Subject to Section 27.3 below, the parties agree that any action that you bring against us, in any court, whether federal or state, must be brought only within the courts that have jurisdiction over Dallas County, Texas. Any action that we bring against you in any court, whether federal or state, may be brought within the state and judicial district in which we maintain our principal place of business.
- 27.2.1 The parties agree that this Section 27.2 will not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue will be as set forth above.
- 27.2.2 The parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.
- 27.2.3 Any such action will be conducted on an individual basis, and not as part of a consolidated, common, or class action.
- 27.3 *Mediation.* Before any party may bring an action in court against the other, the parties agree that they must first meet to mediate the dispute (except as otherwise provided in Section 27.5 below). Any such mediation will be non-binding and will be conducted in accordance with the then-current rules for mediation of commercial disputes of JAMS, Inc. (formerly, "Judicial Arbitration and Mediation Services, Inc.") at its location nearest to our then-current principal place of business.
- 27.4 *Parties Rights Are Cumulative.* No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor will be deemed, exclusive of any other right or remedy

in this Agreement or by law or equity provided or permitted, but each will be cumulative of every other right or remedy.

- 27.5 *Injunctions.* Nothing contained in this Agreement will bar our right to obtain injunctive relief in a court of competent jurisdiction against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.
- 27.6 **WAIVER OF JURY TRIALS.** EACH PARTY TO THIS AGREEMENT IRREVOCABLY WAIVES 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.
- 27.7 **MUST BRING CLAIMS WITHIN ONE YEAR.** EACH PARTY TO THIS AGREEMENT AGREES THAT ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE PARTIES' RELATIONSHIP, AND/OR YOUR OPERATION OF THE FRANCHISED BUSINESS, BROUGHT BY ANY PARTY HERETO AGAINST THE OTHER (EXCLUDING CLAIMS SEEKING INDEMNIFICATION), SHALL BE COMMENCED WITHIN ONE (1) YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM OR ACTION, OR, IT IS EXPRESSLY ACKNOWLEDGED AND AGREED BY ALL PARTIES, SUCH CLAIM OR ACTION SHALL BE IRREVOCABLY BARRED.
- 27.8 **WAIVER OF PUNITIVE DAMAGES.** EACH PARTY TO THIS AGREEMENT HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES IT HAS SUSTAINED (HOWEVER, THIS CLAUSE SHALL NOT APPLY TO A CLAIM FOR LOST FUTURE ROYALTIES UNDER SECTION 18.11 ABOVE).
- 27.9 *Payment of Legal Fees.* You agree to pay us all damages, costs and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in: (a) obtaining injunctive or other relief for the enforcement of any provisions of this Agreement (including Sections 9 and 17 above); and/or (b) successfully defending a claim from you that we misrepresented the terms of this Agreement, fraudulently induced you to sign this Agreement, that the provisions of this Agreement are not fair, were not properly entered into, and/or that the terms of this Agreement (as it may be amended by its terms) do not exclusively govern the parties' relationship.

28 ACKNOWLEDGMENTS

- 28.1 *Your Investigation of the Restaurant Possibilities.* We have recommended that you conduct an independent investigation of the business franchised under this Agreement.
- 28.2 *No Warranties or Guarantees.* We do not make (and do not permit anyone speaking on our behalf to make) any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business contemplated by this Agreement.
- 28.3 *Your Advisors.* We recommend that you seek advice from advisors of your own choosing (including a lawyer and an accountant) about the potential benefits and risks of entering into this Agreement.
- 28.4 *No Conflicting Obligations.* Each party represents and warrants to the other party that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict that party from: (a) negotiating and entering into this Agreement;

- (b)** exercising its rights under this Agreement; and/or **(c)** fulfilling its responsibilities under this Agreement.
- 28.5 *Your Responsibility for the Choice of the Accepted Location.* You acknowledge and agree that you have sole and complete responsibility for the choice of the Accepted Location; that we have not (and will not be deemed to have, even by our requirement that you use a location service, approval of the site that is the Accepted Location) given any representation, promise, or guarantee of your success at the Accepted Location; and that you will be solely responsible for your own success at the Accepted Location.
- 28.6 *Your Responsibility for Operation of the Franchised Business.* Although we retain the right to establish and periodically modify System standards, which you have agreed to maintain in the operation of your franchised Restaurant, you retain the right and sole responsibility for the day-to-day management and operation of the Franchised Business and the implementation and maintenance of system standards at the Franchised Business.
- 28.7 *Different Franchise Offerings to Others.* We may modify the terms under which we offer franchises to other parties (which may differ from the terms, conditions, and obligations in this Agreement).
- 28.8 *Our Advice.* You acknowledge and agree that our advice is only that; that our advice is not demand or any a guarantee of success; and that you must reach and implement your own decisions about how to operate your Franchised Business on a day-to-day basis under the System.
- 28.9 *Your Independence.* You acknowledge and agree that:
- 28.9.1 you are the only party that employs your staff (even though we may provide you with advice, guidance, and training);
- 28.9.2 we are not your employer nor are we the employer of any of your staff, and even if we express an opinion or provide advice, we will play no role in your decisions regarding their employment (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal);
- 28.9.3 the guidance that we provide, and requirements under which you will operate, are intended to promote and protect the value of the brand and the Proprietary Marks;
- 28.9.4 when forming and in operating your business, you had to adopt standards to operate that business, and that instead of developing and implementing your own standards (or those of another party), you chose to adopt and implement our standards for your business (including our System and the requirements under this Agreement); and
- 28.9.5 you have made (and will remain always be responsible for) all of the organizational and basic decisions about establishing and forming your entity, operating your business (including adopting our standards as your standards), and hiring employees and employment matters (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal), engaging professional advisors, and all other facets of your operation.
- 28.10 *Success Depends on You.* You acknowledge and agree that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon your ability as an independent businessperson, your active participation in the daily

affairs of the business, market conditions, area competition, availability of product, quality of services provided 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 contemplated hereby.

28.11 *Two or More Signatories.* If two or more persons are signing this Agreement as the “Franchisee” (each, a “**Signatory**”), the parties agree that:

28.11.1 Each Signatory will have the power to individually bind “Franchisee” with respect to us and third parties;

28.11.2 We have the right to treat each Signatory as having the full authority to bind all other Signatories in any and all matters;

28.11.3 We have the right to treat each Signatory as if s/he represents and can act on behalf of all the other Signatory(ies) in all matters;

28.11.4 Even though there may be more than one Signatory, all of the Signatories’ rights will be one and none of the Signatories will have the right to exercise any right independent of (and/or apart from) one another;

28.11.5 We have the right to communicate with or provide notice to any Signatory, and such communication or notice will be deemed as having been given to all Signatories; and

28.11.6 If there is a conflict among the Signatories (including us receiving conflicting information from or requests between the Signatories), we have the right to select from among any conflicting or inconsistent requests by, or information from, any of the Signatories, and our selection in such case will be final and dispositive with respect to any such conflict.

28.12 *General Release.* If this Agreement is not the first contract between you (and your affiliates) and us (and our affiliates), then you agree to the following:

*You (on behalf of yourself and your parent, subsidiaries and affiliates and their respective past and present members, officers, directors, members, managers, shareholders, agents and employees, in their corporate and individual capacities) and all guarantors of your obligations under this Agreement (collectively, “**Releasors**”) freely and without any influence forever release (and covenant not to sue) us, our parents, subsidiaries, predecessors, and affiliates and our/their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities (collectively “**Releasees**”), with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, “**claims**”), which any Releasor now owns or holds or may at any time have owned or held, including claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to this Agreement and all other agreements between any Releasor and any Releasee, the sale of any franchise to any Releasor, the development and operation of the Bar Louie Restaurants and the development and operation of all other businesses operated by any Releasor that are franchised by any Releasee. You understand as well that you may later learn of new or different facts, but still, it is your intention to fully, finally, and forever release all of the claims that are released above. This includes your waiver of state laws that may otherwise limit a release (for example, Calif. Civil Code Section 1542, which states that “[a] general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor*

or released party”). You agree that we have given fair consideration for this General Release and you agree that this is a negotiated, complete, and final release of all claims. This General Release does not release any claims arising from representations made in our Franchise Disclosure Document and its exhibits or otherwise affect any claims arising after the date of this Agreement.

IN WITNESS WHEREOF, and intending to be legally bound by this Agreement, the parties have duly signed and delivered this Agreement to one another as of the Effective Date.

BLH Restaurant Franchises, LLC

Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Effective Date: _____

Address for Notices:

Address for Notices:

The Colonnade
15305 Dallas Parkway – 12th Floor
Addison, Texas 75001
Attn: _____

Attn: _____

BLH Restaurant Franchises, LLC
FRANCHISE AGREEMENT
EXHIBIT A
DATA ADDENDUM

¶	Section Cross-Reference	Item
1	1.2	The Accepted Location under this Agreement will be: _____ _____.
2	1.3	The Protected Territory under this Agreement will be: _____ _____ [a circle with a radius of _____miles and its center at the front door of the Restaurant.]

Initials

Franchisee

Franchisor

BLH Restaurant Franchises, LLC
FRANCHISE AGREEMENT
EXHIBIT B
GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

In order to induce BLH Restaurant Franchises, LLC (“**Franchisor**”) to sign the Bar Louie Franchise Agreement between Franchisor and _____ (“**Franchisee**”), dated _____, 202____ (the “**Agreement**”), each of the undersigned parties, jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee’s obligations (monetary and otherwise) under the Agreement as well as any other contract between Franchisee and Franchisor (and/or Franchisor’s affiliates) will be punctually paid and performed.

Each person signing this Personal Guarantee acknowledges and agrees, jointly and severally, that:

- Upon Franchisor’s demand, s/he will immediately make each payment required of Franchisee under the Agreement and/or any other contract (including another franchise agreement) with Franchisor and/or its affiliates.
- S/he waives any right to require Franchisor to: **(a)** proceed against Franchisee for any payment required under the Agreement (and/or any other contract with Franchisor and/or its affiliates); **(b)** proceed against or exhaust any security from Franchisee; **(c)** pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; and/or **(d)** give notice of demand for payment by Franchisee.
- Without affecting the obligations of the undersigned persons under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. Each of the undersigned persons waive notice of amendment of the Agreement (and any other contract with Franchisor and Franchisor’s affiliates) and notice of demand for payment by Franchisee, and agree to be bound by any and all such amendments and changes to the Agreement (and any other contract with Franchisor and Franchisor’s affiliates).
- S/he will defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement (and any other contract with Franchisor and Franchisor’s affiliates) and/or any amendment to the Agreement.
- S/he will be personally bound by all of Franchisee’s covenants, obligations, and promises in the Agreement.
- S/he agrees to be personally bound by all of Franchisee’s covenants, obligations, and promises in the Agreement, which include, but are not limited to, those found in the following Sections of the Agreement: **Section 9.3** (generally regarding trademarks), **Section 11** (generally regarding confidentiality), **Section 16** (generally regarding Transfers), **Section 18** (generally regarding obligations upon termination or expiration of this Agreement), and **Section 19** (generally regarding covenants against competition) of the Agreement.
- S/he understands that: **(a)** this Guarantee does not grant them any rights under the Agreement (including but not limited to the right to use any of Franchisor’s marks such as the “Bar Louie” marks) and/or the system licensed to Franchisee under the Agreement; **(b)** that they have

read, in full, and understand, all of the provisions of the Agreement that are referred to above in this paragraph, and that they intend to fully comply with those provisions of the Agreement as if they were printed here; and (c) that they have had the opportunity to consult with a lawyer of their own choosing in deciding whether to sign this Guarantee.

This Guarantee will be interpreted and construed in accordance with **Section 27** of the Agreement (including but not limited to the waiver of punitive damages, waiver of jury trial, agreement to bring claims within one year, and agreement not to engage in class or common actions). Among other things, that means that this Guarantee will be interpreted and construed exclusively under the laws of the State of Texas, and that in the event of any conflict of law, Texas law will prevail (without applying Texas conflict of law rules).

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

(in his/her personal capacity)

Printed
Name: _____

Date: _____

Home Address:

(in his/her personal capacity)

Printed
Name: _____

Date: _____

Home Address:

(in his/her personal capacity)

Printed
Name: _____

Date: _____

Home Address:

BLH Restaurant Franchises, LLC
FRANCHISE AGREEMENT
EXHIBIT C
LIST OF PRINCIPALS

Name of Principal	Home Address	Percentage Interest Held in Franchisee

Initials

Franchisee

Franchisor

BLH Restaurant Franchises, LLC
FRANCHISE AGREEMENT
EXHIBIT D

**AUTHORIZATION AGREEMENT FOR ACH PAYMENTS
(DIRECT DEBITS FOR ROYALTY, MARKETING CONTRIBUTION, AND OTHER FEES)**

_____ (Name of Person or Legal Entity)

_____ (Tax ID Number (FEIN))

The undersigned depositor (“**Depositor**” or “**Franchisee**”) hereby authorizes BLH Restaurant Franchises, LLC (“**Franchisor**”) to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account(s) indicated below and the depository designated below (“**Depository**” or “**Bank**”) to debit or credit such account(s) pursuant to our instructions.

_____ Depository

_____ Branch

_____ City

_____ State

_____ Zip Code

_____ Bank Transit/ABA Number

_____ Account Number

This authorization is to remain in full and force and effect until sixty days after we have received written notification from Franchisee of its termination.

Printed Name
of Depositor: _____

Signed By: _____

Printed Name: _____

Title: _____

Date: _____

BLH Restaurant Franchises, LLC
FRANCHISE AGREEMENT
EXHIBIT E
ADA CERTIFICATION

BLH Restaurant Franchises, LLC (“Franchisor” or “us”) and _____ (“Franchisee” or “you”) are parties to a franchise agreement dated _____, 202____ (the “Franchise Agreement”) for the operation of a Franchised Business at _____ (the “Franchised Business”).

- In accordance with Section 5.6.2 of the Franchise Agreement, you certify to us that, to the best of your knowledge, the Franchised Business and its adjacent areas comply with all applicable federal, state, and local accessibility laws, statutes, codes, rules, regulations, and standards, including but not limited to the Americans with Disabilities Act.
- You acknowledge that you are an independent contractor and the requirement of this certification by Franchisor does not constitute ownership, control, leasing, or operation of the Franchised Business.
- You acknowledge that we have relied on the information contained in this certification.
- You agree to indemnify us and our officers, directors, members, managers, shareholders, and employees in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party(ies) as a result of any matters associated with your compliance with the Americans with Disabilities Act, as well as the costs (including without limitation reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) related to the same.

Acknowledged and Agreed:

Franchisee:

By:_____

Printed Name:_____

Title:_____

BLH Restaurant Franchises, LLC
FRANCHISE AGREEMENT
EXHIBIT F-1

SAMPLE FORM OF
NON-DISCLOSURE AND NON-COMPETITION AGREEMENT
*(to be signed by franchisee with its
executive/management staff)*

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT (“Agreement”) is made this _____, 202_____, by _____ and _____ between _____ (the “Franchisee”), and _____, who is a Principal, manager, supervisor, member, partner, or a person in an executive or managerial position with, Franchisee (the “Member”).

Background:

A. BLH Restaurant Franchises, LLC (“Franchisor”) owns a format and system (the “System”) relating to the establishment and operation of “Bar Louie” businesses operating in structures that bear Franchisor’s interior and exterior trade dress, and under its Proprietary Marks, as defined below (each, a “Restaurant”).

B. Franchisor identifies “Bar Louie” Restaurants by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin (including for example the mark “Bar Louie”) and certain other trade names, service marks, and trademarks that Franchisor currently and may in the future designate in writing for use in connection with the System (the “Proprietary Marks”).

C. Franchisor and Franchisee have executed a Franchise Agreement (“Franchise Agreement”) granting Franchisee the right to operate a “Bar Louie” Restaurant (the “Franchised Business”) and to offer and sell products, services, and other ancillary products approved by Franchisor and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement.

D. The Member, by virtue of his or her position with Franchisee, will gain access to certain of Franchisor’s Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are acknowledged, the parties agree as follows:

1. Confidential Information.

a. Member agrees that it will not, during the term of its employment with Franchisee or at any time after that, communicate, divulge, or use for its own benefit or for the benefit of any other party any of the confidential information, knowledge, or know-how concerning the methods of operation of the “Bar Louie” Restaurant that may be communicated to the Member or about which the Member became aware by virtue of the Member’s service for the Franchisee.

b. Any and all non-public information about the Restaurant (including knowledge, know-how, and techniques that the Franchisor and/or the Franchisee designates as confidential) will be deemed confidential for purposes of this Agreement.

2. Covenants Not to Compete. To the fullest extent permitted by law:

a. Member acknowledges that by virtue of working with Franchisee, Member will receive valuable specialized training and confidential information, including without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System.

b. Member covenants and agrees that during its employment, unless otherwise approved in writing by Franchisee (with Franchisor's approval as well), Member will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

i. Divert or attempt to divert any business or customer of the Franchised Business or of any Franchised Business using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Proprietary Marks and the System; or

ii. Either directly or indirectly for him/herself or on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Franchised Business.

c. Member also covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by Franchisor, Member will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, Member will not own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Franchised Business and which business is, or is intended to be, located within ten (10) miles from the Restaurant.

d. As used in this Agreement, the term **"same as or similar to the Franchised Business"** will include, but not be limited to, any full-service bar and grill casual dining restaurant that offers a broad menu of American cuisine items and whose sales of any single category of food or beverage items (such as salads, sandwiches, burgers, tacos, or flatbreads) ~~do not~~ constitute over thirty percent (30%) of that restaurant's total offerings and/or sales.

e. As used in this Agreement, the term **"Post-Term Period"** means a continuous uninterrupted period of two (2) years from when the Member stops working for the Franchisee at the Restaurant.

3. Injunctive Relief. Member acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisee and Franchisor irreparable injury, and Member agrees to pay all costs (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) incurred by Franchisee and/or Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, will be held invalid by any court of competent jurisdiction for any reason, then the Member agrees that the court will have the authority to reform and modify that provision in order that the restriction will be the maximum necessary to protect Franchisor's and/or Member's legitimate business needs as permitted by applicable law and public policy. In so doing, the Member agrees that the court will impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by the Franchisor and/or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right provided in this Agreement, and no waiver of any violation of any terms and provisions of this Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Third-Party Beneficiary. Member hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

7. Employer. The Staff Member acknowledges and agrees that: (a) the Franchisee is its employer; (b) Franchisor does not employ the Staff Member; (c) Franchisor is not a "joint employer" with the Franchisee; and (d) Franchisor has no role whatsoever in the Staff Member's employment or other similar relationship to the Franchisee.

IN WITNESS WHEREOF, the Franchisee and the Member attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

FRANCHISEE

MEMBER

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

BLH Restaurant Franchises, LLC
FRANCHISE AGREEMENT
EXHIBIT F-2

SAMPLE FORM OF
NON-DISCLOSURE AGREEMENT
*(to be signed by franchisee with its
non-executive/management staff)*

THIS NON-DISCLOSURE AGREEMENT (“Agreement”) is made this _____ day of _____, 202____, by and between _____ (the “**Franchisee**”), and _____, who is an employee of Franchisee (the “**Employee**”).

Background:

A. BLH Restaurant Franchises, LLC (“**Franchisor**”) owns a format and system (the “**System**”) relating to the establishment and operation of “Bar Louie” businesses in structures that bear Franchisor’s interior and exterior trade dress, and under its Proprietary Marks, as defined below (each, a “**Restaurant**”).

B. Franchisor identifies “Bar Louie” Restaurants by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin (including for example the mark “Bar Louie”) and certain other trade names, service marks, and trademarks that Franchisor currently and may in the future designate in writing for use in connection with the System (the “**Proprietary Marks**”).

C. Franchisor and Franchisee have executed a Franchise Agreement (“**Franchise Agreement**”) granting Franchisee the right to operate a “Bar Louie” Restaurant (the “**Franchised Business**”) and to offer and sell products, services, and other ancillary products approved by Franchisor and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement.

D. The Employee, by virtue of his or her position with Franchisee, will gain access to certain of Franchisor’s Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are acknowledged, the parties agree as follows:

1. Confidential Information.

a. Member agrees that it will not, during the term of its employment with Franchisee or at any time after that, communicate, divulge, or use for its own benefit or for the benefit of any other party any of the confidential information, knowledge, or know-how concerning the methods of operation of the “Bar Louie” Restaurant that may be communicated to the Member or about which the Member became aware by virtue of the Member’s service for the Franchisee.

b. Any and all non-public information about the Restaurant (including knowledge, know-how, and techniques that the Franchisor and/or the Franchisee designates as confidential) will be deemed confidential for purposes of this Agreement.

2. Injunctive Relief. Member acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisee and Franchisor irreparable injury, and Member agrees to pay all costs (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) incurred by Franchisee and/or Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

3. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, will be held invalid by any court of competent jurisdiction for any reason, then the Member agrees that the court will have the authority to reform and modify that provision in order that the restriction will be the maximum necessary to protect Franchisor's and/or Member's legitimate business needs as permitted by applicable law and public policy. In so doing, the Member agrees that the court will impose the provision with retroactive effect as close as possible to the provision held to be invalid.

4. Delay. No delay or failure by the Franchisor and/or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right provided in this Agreement, and no waiver of any violation of any terms and provisions of this Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

5. Third-Party Beneficiary. Member hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

IN WITNESS WHEREOF, the Franchisee and the Member attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

FRANCHISEE

EMPLOYEE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

BLH Restaurant Franchises, LLC
FRANCHISE AGREEMENT
EXHIBIT G

SITE SELECTION ADDENDUM

BLH Restaurant Franchises, LLC (“**Franchisor**” or “**us**” or “**we**”) and _____ (“**Franchisee**” or “**you**”) have this ____ day of _____, 202____ entered into a Bar Louie Franchise Agreement (“**Franchise Agreement**”) and wish to supplement its terms as set out below in this Site Selection Addendum (the “**Addendum**”). The parties agree as follows:

AGREEMENT

1. **Time to Locate Site:** Within ninety (90) days after the date of this Addendum, you agree to acquire or lease/sublease, at your own expense, commercial real estate that is properly zoned for the use of the business that you will conduct under the Franchise Agreement (the “**Franchised Business**”) at a site that we will have approved in writing as provided below.

a. Such location must be within the following area: _____

(the “**Search Area**”).

b. The only reason that the Search Area is described is for the purpose of selecting a site for the Franchised Business. However, we will not establish, nor franchise another party to establish, a “Bar Louie” business operating under the System within the Search Area until the end of the Search Period. Upon expiration of the Search Period, the protections of this para. 1.b will expire and you will have no further rights in and to the Search Area than as otherwise provided in the Franchise Agreement. You agree to diligently pursue finding a site for a Restaurant within the Search Area during the Search Period.

c. The term “**Search Period**” means ninety (90) days from the date of this Addendum, or the period from the date of this Addendum until we have approved of a location for your Franchised Business, whichever event first occurs.

d. If you do not acquire or lease a site (that we have approved in writing) for the Franchised Business in accordance with this Addendum by not later than one hundred and eighty (180) days after the date of this Addendum, that will constitute a default under Section 17.2 of the Franchise Agreement and also under this Addendum, and we will have the right to terminate the Franchise Agreement and this Addendum pursuant to the terms of Section 17.2 of the Franchise Agreement.

2. **Site Evaluation Services:** We will provide you with our site selection guidelines, including our minimum standards for a location for the Franchised Business, and such site selection counseling and assistance as we may deem advisable. We will perform one (1) on-site evaluation as we may deem advisable in response to your requests for site approval without a separate charge. If we perform any additional on-site evaluations, you must reimburse, as applicable, us for all reasonable expenses that we incur in connection with such on-site evaluation, including the cost of travel, lodging and meals. We will not provide on site evaluation for any proposed site before we have received from you a completed site approval form for the site (prepared as set forth in Section 3 below).

3. **Site Selection Package Submission and Approval:** You must submit to us, in the form that we specify: **(a)** a completed site approval form (in the form that we require); **(b)** such other information or materials that we may reasonably require; and **(c)** an option contract, letter of intent, or other

evidence satisfactory to us that confirms your favorable prospects for obtaining the site. You acknowledge that time is of the essence. We will have thirty (30) days after receipt of all such information and materials from you to approve or disapprove the proposed site as the location for the Franchised Business. We have the right to approve or disapprove any such site to serve as the Accepted Location for the Franchised Business. If we do not approve a proposed site by giving you written notice within the 30-day period, then we will be deemed to have disapproved the site.

4. **Lease Responsibilities:** After we have approved a site and before the expiration of the Search Period, you must execute a lease, which must be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Our approval of any lease will be conditioned upon inclusion in the lease of the **Agreement with Landlord** (a copy of which is attached to the Franchise Agreement as Exhibit H). However, even if we examine the Lease, we will not be responsible for reviewing the Lease for any terms other than those contained in the Agreement with Landlord.

5. **Accepted Location:** After we have approved the location for the Franchised Business and you have leased or acquired that location, the location will become the **Accepted Location** described in Section 1.2 of the Franchise Agreement. The Accepted Location will be specified on Exhibit A to the Franchise Agreement, and will become a part the Franchise Agreement. The Protected Territory, as defined under Section 1.3 of the Franchise Agreement, will be the geographic area thereafter described in Exhibit A to the Franchise Agreement, and will become a part of the Franchise Agreement.

a. You agree that our approval of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Business or for any other purpose. Our approval of the site indicates only that we believe the site complies with our minimum acceptable criteria solely for our own purposes as of the time of the evaluation. The parties each acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to our approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria that we used could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond our control.

b. We will not be responsible for the failure of a site (even if we have approved that site) to meet your expectations as to revenue or operational criteria.

c. You agree that your acceptance of a franchise for the operation of the Franchised Business at the site is based on its own independent investigation of the suitability of the site.

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

IN WITNESS WHEREOF, each party hereto has caused its duly authorized representative to duly execute and deliver this Addendum on the date first above written.

BLH Restaurant Franchises, LLC
Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

BLH Restaurant Franchises, LLC
FRANCHISE AGREEMENT
EXHIBIT H
AGREEMENT WITH LANDLORD

THIS LEASE-RELATED AGREEMENT (the "**Agreement**") has been executed as of this ____ day of _____, 202__, by and between _____ ("**Franchisee**") and _____ ("**Landlord**"), as an Agreement to the lease, as modified, amended, supplemented, renewed and/or extended from time to time as contemplated herein ("**Lease**") dated as of _____, 202__ for the premises located at _____, in the State of _____ ("**Premises**").

Franchisee has also entered (or will also enter) into a Franchise Agreement ("**Franchise Agreement**") with BLH Restaurant Franchises, LLC ("**Franchisor**") for the development and operation of a "Bar Louie" Business at the Premises, and as a condition to obtaining Franchisor's approval of the Lease, the Lease for the Premises must contain the provisions contained in this Agreement.

NOW THEREFORE, in consideration of mutual covenants set forth herein, the execution and delivery of the Lease, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Landlord, Franchisee, and Franchisor agree as follows:

1. Landlord agrees to deliver to Franchisor a copy of any notice of default or termination of the Lease at the same time such notice is delivered to Franchisee. Franchisor agrees to deliver to Landlord a copy of any notice of termination under the Franchise Agreement. Although it is the intention of Landlord and Franchisor to provide such notices to one another, neither shall have liability to each other if they do not provide such notices. Franchisee consents to that exchange of information by Landlord and Franchisor.
2. Franchisee assigns to Franchisor, with Landlord's irrevocable and unconditional consent, all of Franchisee's rights, title and interests to and under the Lease upon any termination or non-renewal of the Franchise Agreement, but no such assignment will be effective unless and until: (a) the Franchise Agreement is terminated or expires without renewal; (b) Franchisor has exercised its Option to Purchase under the Franchise Agreement; and (c) Franchisor notifies the Franchisee and Landlord in writing that Franchisor assumes Franchisee's obligations under the Lease.
3. Franchisor will have the right, but not the obligation, to cure any breach of the Lease (within fifteen (15) business days after the expiration of the period in which Franchisee had to cure any such default should Franchisee fail to do so) upon giving written notice of its election to Franchisee and Landlord, and, if so stated in the notice, to also succeed to Franchisee's rights, title and interests thereunder. Franchisee agrees that the Lease may not be modified, amended, supplemented, renewed, extended, or assigned without Franchisor's prior written consent.
4. Franchisee and Landlord agree that Franchisor will not incur any liability or obligation under the Lease unless and until Franchisor assumes the Lease in writing pursuant to Section 2 or Section 3 above.
5. If Franchisor assumes the Lease, as provided above, then Franchisor may, without Landlord's prior consent, further assign the Lease to another franchisee of Franchisor to operate a "Bar Louie" business at the Premises provided that the proposed franchisee has met all of Franchisor's applicable criteria and requirements and has executed a franchise agreement

with Franchisor. Landlord agrees to execute such further documentation to confirm its consent to the assignment permitted under this Agreement as Franchisor may reasonably request. Upon such assignment to a franchisee of Franchisor, Franchisor will be released from any further liability under the terms and conditions of the Lease.

6. Landlord and Franchisee acknowledge that Franchisee has agreed under the Franchise Agreement that Franchisor and its employees or agents will have the right to enter the Premises for certain purposes. Landlord agrees not to interfere with or prevent such entry by Franchisor, its employees or agents. Landlord and Franchisee further acknowledge that if the Franchise Agreement expires (without renewal) or is terminated, Franchisee is obligated to take certain steps under the Franchise Agreement to de-identify the Premises as a “Bar Louie” business (unless Franchisor takes an assignment of the lease, as provided above). Landlord agrees to permit Franchisor, its employees or agent, to enter the Premises and remove signs (both interior and exterior), décor and materials displaying any marks, designs or logos owned by Franchisor, provided that Franchisor will bear the expense of repairing any damage to the Premises as a result thereof.
7. If Landlord is an affiliate or an Owner of Franchisee, Landlord and Franchisee agree that if Landlord proposes to sell the Premises, before the sale of the Premises, upon the request of Franchisor the Lease will be amended to reflect a rental rate and other terms that are the reasonable and customary rental rates and terms prevailing in the community where the “Bar Louie” business is located.
8. Landlord agrees that during and after the term of the Lease, it will not disclose or use Franchisor’s Confidential Information (as defined below) for any purpose other than for the purpose of fulfilling Landlord’s obligations under the Lease. “**Confidential Information**” as used herein will mean all non-public information and tangible things, whether written, oral, electronic or in other form, provided or disclosed by or on behalf of Franchisee to Landlord, or otherwise obtained by Landlord, regarding the design and operations of the business located at the Premises, including all information identifying or describing the floor plan and layout, furnishings, equipment, fixtures, wall coverings, flooring materials, shelving, decorations, trade secrets, techniques, trade dress, “look and feel,” design, manner of operation, suppliers, vendors, and all other products, goods, and services used, useful or provided by or for Franchisee on the Premises. Landlord acknowledges that all such Confidential Information belongs exclusively to Franchisor.
9. Landlord agrees that: (a) Franchisor has granted to only one party, the Franchisee, the right to use Franchisor’s proprietary trade name, trademarks, service marks logos, insignias, slogans, emblems, symbols, designs and indicia of origin (collectively the “**Marks**”) at the Premises under the terms of the Franchise Agreement; and (b) Franchisor has not granted any rights or privileges to use the Marks to Landlord.
10. Landlord and Franchisee agree that the premises will be used solely for the operation of a “Bar Louie” business.
11. Landlord and Franchisee agree that any default under the lease will also constitute a default under the Franchise Agreement, and any default under the Franchise Agreement will also constitute a default under the lease.
12. Landlord and Franchisee agree that the terms contained herein will supersede any terms to the contrary set forth in the Lease.

13. Franchisor, along with its successors and assigns, is an intended third party beneficiary of the provisions of this Agreement.

14. Landlord and Franchisee agree that copies of any and all notices required or permitted under this Agreement, or under the Lease, will also be sent to Franchisor at _____ (attention _____), or to such other address as Franchisor may specify by giving written notice to Landlord.

WITNESS the execution hereof under seal.

Landlord:

Franchisor*

Franchisee:

Date:

Date:

Date:

Subscribed and sworn to before me this ____ day of _____, 202____.

Subscribed and sworn to before me this ____ day of _____, 202____.

Subscribed and sworn to before me this ____ day of _____, 202____.

Notary Public

Notary Public

Notary Public

My Commission expires:

My Commission expires:

My Commission expires:

* The Franchisor has signed this Agreement only to acknowledge its terms and not to accept any obligations under the lease.

EXHIBIT D

DEVELOPMENT AGREEMENT AND EXHIBITS



BLH Restaurant Franchises LLC
The Colonnade
15305 Dallas Parkway – 12th Floor
Addison, Texas 75001

_____, 20____

Re: Area Development Agreement

Dear _____:

We are pleased to be entering into this Area Development Agreement (the "**Agreement**") with you today. As used in this Agreement, the terms "**you**", "**your**", and "**Area Developer**" mean _____, and the terms "**we**", "**us**", and "**Franchisor**" mean BL Restaurants Franchises, LLC

1. Development. This Agreement relates to the terms under which you will develop retail "Bar Louie" restaurant businesses (each a "**Restaurant**") within the "**Development Area**" that is specified on the attached Data Sheet (Exhibit A). Each Restaurant will be established under the terms of a separate Franchise Agreement (the "**Franchise Agreement**") for that Restaurant, which will specify, among other things, the approved location of that Restaurant.

2. Development Schedule. You agree to establish each of the Restaurants in the Development Area according to the development schedule that is specified on the attached Data Sheet (Exhibit A). That schedule is referred to as the "**Development Schedule**."

3. Term. The term of this Agreement starts only when both parties have signed below, and will end on the last date specified in the Development Schedule (the "**Term**"), unless this Agreement is sooner terminated.

4. Fees and Credits.

4.1 Fees.

a. In consideration of the development rights granted in this Agreement, you agree to pay us, upon signing this Agreement, a development fee as specified on the attached Data Sheet (Exhibit A) (the "**Development Fee**").

b. If you develop more than the number of Restaurants required under this Agreement in the Development Area, then for each such additional Restaurant, you agree to pay an initial franchise fee in the amount of \$35,000.

c. The Development Fee shall be fully earned when we receive it from you and it shall be non-refundable in consideration of the services and items that we provide to you under this Agreement, and for our lost opportunities and other factors.

4.2 Credits. We will credit the Development Fee that you have paid toward the initial franchise fees due under the Franchise Agreement for each Restaurant that you are required to develop under this Agreement (with the understanding that the total of those credits will not exceed the Development Fee that you actually paid to us) so long as you are in compliance with your obligations under this Agreement and all of the Franchise Agreements between you (and your affiliates) and us (and our affiliates), then

4.3 All payments that are due under this Agreement shall be made without deduction or offset, including for any taxes or other amounts.

4.4 All payments shall be made in the U.S. and in U.S. Dollars, by wire-transfer to a bank account that we designate in writing for that purpose.

5. Protected Development Area. We will not establish, nor license anyone other than you to establish, a Restaurant in the Development Area during the Term of this Agreement (except as otherwise provided under Section 6 below) so long as you (and your affiliates) are in compliance with this Agreement and all of the Franchise Agreements between you (and your affiliates) and us (and our affiliates),

6. Reservation of Rights.

6.1 Except as otherwise specifically provided above in Section 5, we retain all other rights, and therefore we have the exclusive right (among others), and on any terms and conditions we deem advisable, and without granting you any rights therein, to do any or all of the following (and, in each case, despite their proximity to the Development Area, and despite their actual or threatened impact on sales at any Restaurant):

a. advertise and promote the “Bar Louie” trademarks (“**Proprietary Marks**”) anywhere;

b. fulfill, and license others to fulfill, customer orders by providing catering and delivery services in the Development Area;

c. establish, and franchise others to establish, Restaurants anywhere outside the Development Area;

d. establish, and license others to establish, businesses that neither operate under the “Bar Louie” system of operations, as further defined in the Franchise Agreement (the “**System**”) nor use the Proprietary Marks (even if those businesses offer products that are the same as or similar to those offered from Restaurants), no matter where those businesses are located (so long as those businesses are not “Restaurants” operated inside the Development Area);

e. acquire (or be acquired) and then operate any business of any kind, anywhere inside and outside the Development Area (so long as those businesses are not “Restaurants” operated within the Development Area);

f. sell any business of any kind, including those operating under the System within the Development Area; and

g. sell and distribute, or license others to sell and distribute, directly or indirectly, any products in ready-to-prepare or bulk packaged form (as compared to single-serving ready-to-

consume form) and other items bearing the Proprietary Marks (such as merchandise), from any location or to any purchaser (including, but not limited, the sale of items at wholesale and to purchasers in the Development Area through supermarkets, shops, mail order, and on the Internet, under our Proprietary Marks or as private-labeled items), so long as these sales are not made from a Restaurant operated inside the Development Area.

7. Other Brands. In addition to the “Bar Louie” brand, you understand that we may operate (or may become affiliated with other companies that operate) businesses under other brand names, and also that we may acquire other brands (or be acquired by a company that operates other brands) (collectively, “**Other Brands**”). You understand and agree that this Agreement does not grant you any concerning Other Brands.

8. No License to use the Marks. This Agreement does not grant you any license to use, in any manner whatsoever, our Proprietary Marks or System. To the extent that we are licensing those rights to you, that license will be set out under the Franchise Agreements.

9. Signing of the Franchise Agreements.

9.1 You must sign a separate Franchise Agreement for each Restaurant.

9.2 Each Restaurant shall be located at a site that we have approved, within the Development Area, as provided below.

9.3 The Franchise Agreement for each Restaurant developed under this Agreement shall be in the form of our then-current Franchise Agreement. You must sign the Franchise Agreement for each Restaurant and submit to us for countersignature not more than thirty (30) days after you sign the lease or purchase property for that Restaurant.

10. Restaurant Development and Site Approval. For each proposed site for a Restaurant, you must submit to us, in a form we may specify, a completed site approval package and such other information or materials as we may reasonably require. You must submit the site approval package, information, and materials by no later than one hundred and eighty (180) days before the date on which the Restaurant must open as listed in the Development Schedule. You also must obtain our site approval for the first Restaurant to be developed under this Agreement within four (4) months after the date of this Agreement. If we give our written approval to a proposed site, then we will send you written notice of approval within thirty (30) days after we receive your completed site approval package. If we do not send that notice to you within the same thirty-day period, then we shall be deemed to have disapproved the proposed site. You may not open or operate a Restaurant at a site without our prior written approval.

10.1 If you will occupy the premises from which the Restaurant is to be operated under a lease, then before signing the lease, you must submit to us the draft lease or sublease for our approval. Our approval of the lease shall be conditioned upon the inclusion in the lease of terms acceptable to us, as specified in the “lease rider” that is attached to the form of Franchise Agreement found at Exhibit B to this Agreement. You must obtain our prior written approval as to the site for each Restaurant before you enter into a lease or sublease for that site, and before you start construction at these sites. Within thirty (30) days after we give our site approval, you must sign a lease, after obtaining our approval of the terms of the lease, or a binding agreement to purchase the site, subject only to your obtaining any necessary zoning variances, building, or use permits. Nothing in this Section 10 shall be deemed to amend or modify your obligation to meet the Development Schedule. As used in this Agreement, the term “lease” includes subleases and similar subordinate grants of occupancy rights.

10.2 Recognizing that time is of the essence, you agree to satisfy the Development Schedule. If you do not meet the Development Schedule, or if you do not submit a completed site

approval package and obtain our approval within the time periods noted in Section 10, that will constitute a default under this Agreement.

10.3 We may provide guidance to you in obtaining sites for your Restaurants. Neither our acceptance of a proposed site nor any information we communicate to you regarding our standard site selection criteria for Restaurants nor publicly available data for the site constitutes a warranty or representation of any kind, expressed or implied, as to the suitability of the site for a Restaurant or for any other purpose. Our acceptance of a site merely signifies that we are willing to grant a franchise for a Restaurant at that location. Your decision to develop and operate a Restaurant at the site is based solely on your own independent investigation of the suitability of the site.

10.4 In consideration of our acceptance of the site, you and each of your owners release us and our affiliates, as well as our officers, directors, employees and agents, from all loss, damages and liability arising from or in connection with the selection or acceptance of the site for development as a Restaurant, and agree to hold each such party harmless for such site approval.

10.5 In connection with your proposed site and lease for the operation of each Restaurant, you acknowledge and agree that:

a. Whether you choose to proceed ahead with a particular site depends on your confidence in the site after doing your homework, carefully investigating all of the concerns (in addition to any that we may have raised), and investigating whether proper signage can be used at the site. If you decide to proceed ahead with a proposed site, you will still have to determine whether you can obtain a lease on favorable terms.

b. There is no way to know whether a particular site is likely to be successful or not, or whether you have considered every important factor. Factors that you cannot predict may also play a role (for example, a construction project that impedes the flow of traffic).

c. If you decide to go ahead with a proposed site and we “approve” that site, you should know that our “go ahead” or even our “approval” does not mean that we have reached any conclusion as to whether or not you will be successful in operating a Restaurant at that site. Any review that we conduct will be solely for our own benefit and to confirm that a site meets certain internal characteristics.

d. Our review and approval of the proposed site and lease is not a recommendation or endorsement, and obviously not a guarantee that the site or lease terms are suitable. You are responsible for making the decision and you must take the steps you think are needed to determine whether the site is beneficial to you and whether the terms of the proposed lease make sense.

10.6 You acknowledge and agree that any of our designees, employees, agents, or independent contractors may perform any duty or obligation imposed on us by the Agreement, as we may direct (if so, we will, nonetheless, remain responsible to you for the performance of these obligations).

11. Provisions of the Franchise Agreement Incorporated By Reference. The parties agree that the provisions of the following sections of the Franchise Agreement are incorporated by reference into this Agreement as if they were printed in this Agreement (here, and in full text), and that the provisions noted above also apply to this Agreement (except that reference to the “Franchisee” in those provisions shall refer to you, as the “Area Developer,” under this Agreement):

11.1 Section 11 - Confidentiality

11.2 Section 15 - Insurance

- 11.3 Section 16 - Transfer of Interest (but also see Section 12 below)
- 11.4 Section 17 - Default and Termination (but also see Section 13 below)
- 11.5 Section 18 - Obligations upon Termination or Expiration
- 11.6 Section 19 - Covenants
- 11.7 Section 20 - Taxes, Permits, and Indebtedness
- 11.8 Section 21 - Independent Contractor and Indemnification
- 11.9 Section 22 – Force Majeure
- 11.10 Section 23 – Approvals and Waivers
- 11.11 Section 24 - Notices
- 11.12 Section 26 - Severability and Construction

11.13 Section 27 - Applicable Law and Dispute Resolution (*You specifically acknowledge and agree that the provisions in Section 27 of the Franchise Agreement apply to this Agreement as well. Among other things, the provisions of Section 27 provide (in the detail spelled out in the Franchise Agreement) that you agree that Texas law shall exclusively govern the terms of this Agreement (but not applying Texas conflict of laws rules), and that the parties agree to waive any right trial by jury, that you are waiving the right to seek or collect punitive damages, that the parties must first mediate any dispute before bringing an action in court; that the venue for any action you may file against us will be in the courts having jurisdiction over Dallas, Texas, that you are waiving participation in a common or class action against us, and that all legal actions you bring must be brought within one (1) year from the occurrence of the facts giving rise to such claim or action – all as described in Section 27 of the Franchise Agreement, excluding claims for indemnification).*

- 11.14 Section 28 – Acknowledgments

12. Transfers. In addition to the provisions of Section 11.3 above, you understand and agree that we have entered into this Agreement in reliance on your promise and commitment to establish and operate an agreed-upon number of Restaurants, and that as a result, you agree that it would not be unreasonable for us to withhold our consent to a transfer of some, but not all, of the Franchise Agreements separate from one another, and in any case, separate from the rights set forth under this Agreement (if this Agreement has not at the time of a proposed transfer either expired or terminated).

13. Defaults.

13.1 In addition to the provisions of Section 11.4 above, you will be in default under this Agreement if you:

a. do not meet your obligations under the Development Schedule and/or if any other agreement between you (and/or your affiliates) and us is terminated; and/or

b. fail to provide us with any information or documents we have the right to request under this Agreement or any other agreement between you (and/or your affiliates) and us (and/or our affiliates). If you are in default under this Agreement, then we will have the right to: (i) terminate this Agreement by giving you written notice of termination, which will take effect immediately (unless otherwise required under applicable law); or (ii) take any lesser action instead of

terminating this Agreement, including but not limited to suspending or eliminating your rights to the Development Area.

13.2 A default under this Agreement shall not constitute a default under any Franchise Agreement between the parties.

14. Entire Agreement and Amendment. This Agreement, together with the provisions that are incorporated by reference pursuant to Section 11 above, and the Data Sheet that is attached to this Agreement, together constitute the entire, full, and complete agreement between the parties concerning the subject matter of this Agreement, and supersede all prior agreements, no other representations having induced Franchisee to execute this Agreement. The parties acknowledge and agree that they relied only on the words printed in this Agreement (and the Data Sheet, and the provisions of the Franchise Agreement that are incorporated by reference) in deciding whether to enter into this Agreement (however, nothing in this Agreement is meant to disclaim any statement included in our franchise disclosure document). Except for those permitted to be made unilaterally by Franchisor under this Agreement, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

15. Indemnity. You agree to defend, indemnify and hold us, our owners and affiliates, and our (and our affiliates') officers, directors, members, managers, employees, and agents harmless against any and all claims arising directly or indirectly from, as a result of, or in connection with your conduct and/or operation of the business contemplated under this Agreement, as well as the costs of defending against them (including, but not limited to, reasonable attorneys' fees, reasonable costs of investigation, court costs, and arbitration fees and expenses).

16. Confirmation that You Read and Understand the Franchise Agreement. You acknowledge that you have read and understand the Franchise Agreement attached to this Agreement as Exhibit B (including but not limited to the provisions of the Franchise Agreement that are referenced (and/or incorporated by reference) into this Agreement via Section 11 above (including but not limited to the waiver of jury trial, the waiver of punitive damages, the mediation and venue clauses, and the provision waiving participation in a common or class action)).

17. Captions. The headings and captions in this Agreement are merely for the sake of convenience and are not meant (and shall not be deemed) to change or have any affect upon the meaning of the Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Agreement in duplicate on the day and year first above written.

BLH Restaurants Franchises, LLC
Franchisor

Area Developer Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Effective Date: _____

Address for Notices:

Address for Notices:

15305 Dallas Parkway – 12th Floor
Addison, Texas 75001
Attn: _____

Attn: _____

Exhibits:

- A** – Data Sheet; and
- B** – Guarantee, Indemnification, and Acknowledgment
- C** – List of Principals in Area Developer
- D** – Form of Franchise Agreement

Exhibit A - Data Sheet

The Development Area under this Agreement shall be:

The present political boundaries of the _____ (excluding airports, seaports, and U.S. Government-operated facilities).

--

Initialed

FranchisorArea Developer

The Development Fee under this Agreement shall be:

How Development Fee Calculated	Total Development Fee
Thirty-Five Thousand Dollars (\$35,000) multiplied by the number of Restaurants that are required to be developed under the Development Schedule	

Initialed

FranchisorArea Developer

The Development Schedule under this Agreement shall be:

By this anniversary of the date of this Agreement	Cumulative Total Number of Restaurants That You Agree To Have Open and in Operation in the Development Area
[number (#)] months	[number (#)]

Initialed

FranchisorArea Developer

BLH Restaurant Franchises, LLC
Area Development Agreement
Exhibit B
Guarantee, Indemnification, and Acknowledgment

In order to induce BL Restaurant Franchises, LLC (“**Franchisor**”) to sign the Bar Louie Area Development Agreement between Franchisor and _____ (“**Area Developer**”), dated _____, 20____ (the “**Agreement**”), each of the undersigned parties, jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Area Developer’s obligations (monetary and otherwise) under the Agreement as well as any other contract between Area Developer and Franchisor (and/or Franchisor’s affiliates) will be punctually paid and performed.

Each person signing this Personal Guarantee acknowledges and agrees, jointly and severally, that:

- Upon Franchisor’s demand, s/he will immediately make each payment required of Area Developer under the Agreement and/or any other contract with Franchisor and/or its affiliates.
- S/he waives any right to require Franchisor to: **(a)** proceed against Area Developer for any payment required under the Agreement (and/or any other contract with Franchisor and/or its affiliates); **(b)** proceed against or exhaust any security from Area Developer; **(c)** pursue or exhaust any remedy, including any legal or equitable relief, against Area Developer; and/or **(d)** give notice of demand for payment by Area Developer.
- Without affecting the obligations of the undersigned persons under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Area Developer, or settle, adjust, or compromise any claims against Area Developer. Each of the undersigned persons waive notice of amendment of the Agreement (and any other contract with Franchisor and Franchisor’s affiliates) and notice of demand for payment by Area Developer, and agree to be bound by any and all such amendments and changes to the Agreement (and any other contract with Franchisor and Franchisor’s affiliates).
- S/he will defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including without limitation reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) resulting from, consisting of, or arising out of or in connection with any failure by Area Developer to perform any obligation of Area Developer under the Agreement (and any other contract with Franchisor and Franchisor’s affiliates) and/or any amendment to the Agreement.
- S/he will be personally bound by all of Area Developer’s covenants, obligations, and promises in the Agreement.
- S/he agrees to be personally bound by all of Area Developer’s covenants, obligations, and promises in the Agreement, which include, but are not limited to, those found in the following Sections of the Agreement: **Section 8** (generally regarding trademarks), **Section 11.1** (generally regarding confidentiality), **Sections 11.3 and 13** (generally regarding Transfers), **Section 11.5** (generally regarding obligations upon termination or expiration of this Agreement), and **Section 11.6** (generally regarding covenants against competition) of the Agreement.
- S/he understands that: **(a)** this Guarantee does not grant them any rights under the Agreement (including but not limited to the right to use any of Franchisor’s marks such as the “Bar Louie” marks) and/or the system licensed to Area Developer under the Agreement; **(b)** that they have read, in full, and understand, all of the provisions of the Agreement that are referred to above in this paragraph, and that they intend to fully comply with those provisions of the Agreement

as if they were printed here; and (c) that they have had the opportunity to consult with a lawyer of their own choosing in deciding whether to sign this Guarantee.

This Guarantee will be interpreted and construed in accordance with **Sections 11.13** of the Agreement (including but not limited to the waiver of punitive damages, waiver of jury trial, agreement to bring claims within one year, and agreement not to engage in class or common actions) that are incorporated by reference there from Section 27 of the attached franchise agreement. Among other things, that means that this Guarantee will be interpreted and construed exclusively under the laws of the State of Texas, and that in the event of any conflict of law, Texas law will prevail (without applying Texas conflict of law rules).

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

(signed in his/her personal capacity)

(signed in his/her personal capacity)

(signed in his/her personal capacity)

Printed Name:_____

Printed Name:_____

Printed Name:_____

Date:_____

Date:_____

Date:_____

Home Address:

Home Address:

Home Address:

BL Restaurant Franchises, LLC
Area Development Agreement
Exhibit C
List of Principals

Name of Principal	Home Address	Percentage Interest Held in Area Developer

Initials

Franchisee

Franchisor

Exhibit D
Form of Franchise Agreement

EXHIBIT E

FINANCIAL STATEMENTS

EXHIBIT E-1

BLH TopCo LLC
Audited Financial Statements

Consolidated Financial Statements and Report of Independent Certified Public Accountants

BLH TopCo, LLC

Years ended December 31, 2023 and
December 25, 2022

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
BLH TopCo LLC

Opinion

We have audited the consolidated financial statements of BLH TopCo, LLC (a Delaware corporation) and subsidiaries (collectively, the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and December 25, 2022, and the related consolidated statements of operations, members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and December 25, 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 of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 the financial statements are issued.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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.

Grant Thornton LLP

Dallas, Texas
May 29, 2024

BLH TopCo, LLC

CONSOLIDATED BALANCE SHEETS

December 31, 2023 and December 25, 2022
(Dollars in thousands)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,864	\$ 3,735
Accounts receivable	3,028	1,912
Inventories	1,939	1,896
Prepaid expenses	<u>1,323</u>	<u>1,350</u>
Total current assets	8,154	8,893
Property and equipment, net	15,974	19,598
Operating right of use assets, net	31,372	39,050
Finance right of use assets, net	227	204
Goodwill, net	14,535	16,446
Other intangible assets, net	20,004	20,983
Other non-current assets	<u>226</u>	<u>247</u>
Total assets	<u>\$ 90,492</u>	<u>\$ 105,421</u>
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable	\$ 6,870	\$ 5,469
Accrued liabilities	9,144	8,716
Short-term lease liability	11,204	11,061
Short-term finance lease liability	70	50
Current maturities of credit facility	<u>-</u>	<u>1,300</u>
Total current liabilities	27,288	26,596
Credit facility, less current maturities	56,202	51,272
Lease liabilities, less current portion	26,765	32,729
Finance lease liabilities, less current portion	168	160
Other non-current liabilities	<u>166</u>	<u>169</u>
Total liabilities	<u>110,589</u>	<u>110,926</u>
Commitments and contingencies		
Members' equity (deficit)		
Additional paid-in capital	29,218	29,218
Accumulated deficit	<u>(49,315)</u>	<u>(34,723)</u>
Members' deficit	<u>(20,097)</u>	<u>(5,505)</u>
Total Liabilities and Members' deficit	<u>\$ 90,492</u>	<u>\$ 105,421</u>

The accompanying notes are an integral part of these consolidated financial statements.

BLH TopCo, LLC

CONSOLIDATED STATEMENTS OF OPERATIONS

53 Weeks Ended December 31, 2023 and 52 Weeks Ended December 25, 2022
(Dollars in thousands)

	<u>2023</u>	<u>2022</u>
Revenues		
Food and beverage	\$ 140,032	\$ 141,833
Franchise royalties and fees	2,555	2,763
Total revenues	142,587	144,596
Costs of company bar sales		
Food and beverage	36,758	39,088
Payroll and benefits	45,554	45,819
Occupancy	15,268	14,535
Other operating expenses	21,916	22,531
Total costs of company bar sales	119,496	121,973
Franchise support costs	714	1,136
Marketing expenses	4,793	5,353
General and administrative expenses	12,641	13,250
Loss on disposal of assets and impairment	2,678	1,822
Depreciation and amortization	10,917	11,841
Total operating costs and expenses	31,743	33,402
Loss from operations	(8,652)	(10,779)
Other (income) expenses		
Interest expense, net	6,619	4,651
Gain on bar acquisition	(673)	-
Gain on PPP loan forgiveness	-	(10,116)
Total other expenses	5,946	(5,465)
Loss before taxes	(14,598)	(5,314)
Income tax (benefit) expense	(6)	6
NET LOSS	<u>\$ (14,592)</u>	<u>\$ (5,320)</u>

The accompanying notes are an integral part of these consolidated financial statements.

BLH TopCo, LLC

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY (DEFICIT)

Years ended December 31, 2023 and December 25, 2022
(Dollars in thousands)

	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total Members' Equity (Deficit)</u>
Balance, December 26, 2021	\$ 29,218	\$ (29,017)	\$ 201
Adjustment related to new accounting principle	-	(386)	(386)
Net loss	-	<u>(5,320)</u>	<u>(5,320)</u>
Balance, December 25, 2022	29,218	(34,723)	(5,505)
Net loss	-	<u>(14,592)</u>	<u>(14,592)</u>
Balance, December 31, 2023	<u>\$ 29,218</u>	<u>\$ (49,315)</u>	<u>\$ (20,097)</u>

The accompanying notes are an integral part of these consolidated financial statements.

BLH TopCo, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2023 and December 25, 2022

(Dollars in thousands)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Net loss	\$ (14,592)	\$ (5,320)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	10,917	11,841
Gain on PPP loan forgiveness	-	(10,116)
Deferred financing costs	87	91
Loss on disposal of assets and impairment	2,678	1,822
Paid-in-kind interest - third party	3,543	591
Changes in operating assets and liabilities:		
Gain on bar acquisition	(673)	-
Accounts receivable	(1,116)	331
Inventories	(16)	(35)
Prepaid expenses	27	(57)
Other non-current assets	21	18
Accounts payable	1,397	1,772
Accrued liabilities	(668)	462
Other non-current liabilities	(3)	(782)
Net cash provided by operating activities	<u>1,602</u>	<u>618</u>
Cash flows from investing activities:		
Purchases of property and equipment	(4,245)	(3,817)
Proceeds from sale of property and equipment	26	31
Proceeds from sale of liquor license	809	-
Net cash (used in) investing activities	<u>(3,410)</u>	<u>(3,786)</u>
Cash flows from financing activities:		
Repayment of long-term debt	-	(1,950)
Payments on capital lease obligations	(63)	(47)
Net cash (used in) financing activities	<u>(63)</u>	<u>(1,997)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(1,871)</u>	<u>(5,165)</u>
Cash at beginning of year	<u>3,735</u>	<u>8,900</u>
Cash at end of year	<u>\$ 1,864</u>	<u>\$ 3,735</u>

The accompanying notes are an integral part of these consolidated financial statements.

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2023 and December 25, 2022
(Dollars in thousands)

NOTE 1 - BUSINESS AND BASIS OF PRESENTATION

References in the notes to consolidated financial statements to “Bar Louie” or the “Company” refer to BLH TopCo, LLC and all entities included in the consolidated financial statements.

Nature of Operations

Bar Louie is a differentiated social casual “GastroBar” that delivers a comfortable, urban atmosphere known for its signature, hand-crafted cocktails made from fresh fruit and hand-squeezed juices and created in front of the guests. In addition, Bar Louie offers an extensive selection of traditionally and regionally inspired American food, including shareable plates, burgers and sandwiches served every day until close.

The Company was incorporated in Delaware on May 19, 2020. On May 27, 2020, the Company acquired substantially all the assets (the “Business”) of BL Restaurant Operations, LLC and BL Restaurant Franchises, LLC. The Company operates and is managed by its individual managers.

The Company owned and operated 47 company-owned and 19 franchise locations at December 31, 2023, throughout the United States.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of BLH TopCo, LLC and its wholly owned subsidiaries, BLH Holdco, LLC, BLH Acquisition Co., LLC, BLH Franchises Restaurants, LLC, BLH White Marsh LLC, BL Firewheel – Garland Private Club, and BL Allen Private Club. All intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). In the opinion of management, all adjustments, consisting principally of normal recurring adjustments, considered necessary for a fair presentation have been included.

Segment Reporting and Geographic Information

The Company views its operations and manages its business in one operating segment, and as such has only one reportable segment. All the Company's revenues are derived in the United States of America. All the Company's assets are located in the United States of America.

Fiscal Year

The Company's fiscal year is a 52-53-week year ending on the last Sunday of the month occurring on or before December 31. Fiscal year 2023 ended on December 31, 2023 and consisted of 53 weeks. Fiscal year 2022 ended on December 25, 2022 and consisted of 52 weeks.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES***Leases***

The Company follows Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and all related amendments.

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2023 and December 25, 2022
(Dollars in thousands)

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the non-cancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method.

Additional required disclosures for Topic 842 are contained in Note 10.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions, such as valuation of long-lived, definite- and indefinite-lived assets, estimated useful lives of assets and the reasonably assured lease terms of operating leases that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include deposits in financial institutions and short-term investments with original maturities of 90 days or less. Checks issued, but not yet presented for payment to the bank, are reflected as a reduction of cash and cash equivalents.

Liquidity and Credit Risk

The primary sources of liquidity and capital resources are cash provided from operating activities, cash and cash equivalents, and secured credit facilities. The primary requirements for liquidity and capital are working capital and general corporate needs. Company operations have not required significant working capital and, similar to many restaurant chains, the Company has been able to operate, and will continue to operate, with negative working capital. The requirement for working capital is not significant since bar guests pay for their food and beverage purchases in cash or payment cards (credit or debit) at the time of sale. Thus, the Company is often able to sell inventory before payment for such items is due to suppliers. The bars do not require significant inventories or receivables.

The Company believes cash and cash equivalents and expected cash flow from operations are adequate to fund debt service requirements, operating lease obligations, capital expenditures and working capital obligations for the next 12 months. However, the ability to continue to meet these requirements and obligations will depend on, among other things, the Company's ability to achieve anticipated levels of revenue and cash flow from operations and the ability to manage costs and working capital successfully. Such operating performance will be subject to financial, economic, and other factors affecting the industry and operations of the Company, including factors beyond the Company's control.

Accounts Receivable

Accounts receivable consists of credit card receivables due from credit card providers, rebates due from suppliers, receivables due from third party delivery companies and franchise receivables due from franchisees. The Company typically collects the credit card receivables within two to three business days of the initial sale dates. Receivables due from third party delivery companies are collected within one to two weeks. Franchise receivables are typically collected within one week.

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2023 and December 25, 2022
(Dollars in thousands)

Inventories

Inventories consist primarily of food and beverage products, which are stated at the lower of cost, as determined using the moving weighted-average costing method (which approximates first-in, first-out method), or market. Any unused or spoiled inventory is written off when identified.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful life of the asset, generally three to five years for equipment. Leasehold improvements are depreciated over the shorter of their estimated lives or the related lease term.

Expenditures for maintenance and repairs are charged to operations as incurred. Expenditures for betterments and major renewals are capitalized. The cost of assets sold or retired, and the related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal and the resulting gains or losses are included in operations.

Goodwill and Identifiable Intangible Assets

Upon acquisition, identifiable intangible assets are recorded at fair value. Identifiable intangible assets with finite lives are amortized over their estimated useful lives.

Estimated useful lives for these identifiable intangible assets are as follows:

<u>Intangible Asset Classification</u>	<u>Estimated Useful Life</u>
Trademarks	Indefinite
Franchise agreements	8 years
Goodwill	10 years
Liquor licenses	Indefinite
Favorable lease agreements	3 years

Goodwill represents the excess of the cost of acquired businesses over fair value attributed to underlying net tangible assets and identifiable intangible assets.

The Company amortizes its goodwill over 10 years, and tests goodwill for impairment upon the occurrence of a triggering event indicating that the fair value of the Company might be less than its carrying amount. No triggering events were identified in 2023. The Company recognized \$2,308 and \$2,316 of amortization of goodwill, for the years ended December 31, 2023 and December 25, 2022, respectively.

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, intangible assets, and goodwill, subject to depreciation and amortization, are reviewed for impairment when events or circumstances indicate these assets may not be recoverable. Factors considered include significant underperformance relative to expected historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for the overall business and significant negative industry or economic trends. The recoverability is assessed in most cases by comparing the carrying value of the asset to the undiscounted cash flows expected to be generated by the asset. If the sum of the anticipated undiscounted cash flows for the long-lived assets is less than their carrying value, an impairment loss is recognized for the difference.

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2023 and December 25, 2022
(Dollars in thousands)

between the anticipated discounted cash flows, which approximates fair value, and the carrying value of the long-lived assets. This assessment process requires the use of estimates and assumptions regarding future cash flows and estimated useful lives, which are subject to a significant degree of judgment. The long-term financial forecasts represent the best estimate at the time and management believes the underlying assumptions are reasonable. If these assumptions change in the future, the Company may be required to record impairment charges for these assets.

Due to the impact of changes in customer behavior and lower than expected sales at certain bars, certain leasehold improvements had carrying values that exceeded their estimated fair values. During fiscal 2023, the Company had impairment charges of \$2,793 related to ten bars. During fiscal 2022, the Company had impairment charges of \$1,345 related to eight bars.

Liquor Licenses

The costs of obtaining non-transferable liquor licenses that are directly issued by local government agencies for nominal fees are expensed as incurred. Annual liquor license renewal fees in excess of \$3 are expensed over the renewal term. The costs of purchasing transferable liquor licenses through open markets in jurisdictions with a limited number of authorized liquor licenses are capitalized as indefinite-lived intangible assets and included within other intangible assets, net on the consolidated balance sheet. Indefinite-lived liquor licenses are reviewed for impairment at least annually or more frequently should an event occur, or circumstances indicate that the carrying amount may be impaired. Due to the impact of pricing and availability of liquor licenses in the open market, certain liquor licenses classified as intangible assets could have carrying values that exceeded their estimated fair values. The Company determined the estimated fair value based on prices in the open market for licenses in similar jurisdictions (Level 2 in the fair value hierarchy). The Company recorded no impairment for the years ended December 31, 2023 and December 25, 2022.

Trade Name

A trade name is considered to be an important element associated with the sales appeal of certain products and services. The trade name distinguishes goods and services from competitors, indicates the source of the goods and services, and serves as an indication of the quality of the product. The Company trade name consists of various protected words, symbols, and designs that help identify the Company's products and services such as the "Bar Louie" trade name. Trade names are classified as indefinite-lived intangible assets and included within other intangible assets, net on the consolidated balance sheets and are reviewed for impairment annually. The Company recorded no impairment for the years ended December 31, 2023 and December 25, 2022.

Favorable and Unfavorable Leases

A favorable or unfavorable leasehold interest represents the future lease obligations under the in-place contractual lease terms that are either above or below market value. The value of acquired leases that were determined to be favorable or unfavorable to market rents are recorded on the consolidated balance sheets and amortized on a straight-line basis over 3 years, the average remaining term of the operating lease agreements. Favorable leases and unfavorable leases are included within other intangible assets on the consolidated balance sheets. The Company recognized \$38 and \$90 of amortization of favorable and unfavorable leases, which is included in depreciation and amortization expense in the consolidated statements of operations for the years ended December 31, 2023 and December 25, 2022, respectively.

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2023 and December 25, 2022
(Dollars in thousands)

Franchise Agreements

The cost of franchise agreements are capitalized and amortized over the estimated useful life of the agreement. This capitalized cost is amortized on a straight-line basis over an estimated useful life of eight years and is included within other intangible assets, net on the consolidated balance sheets. Amortization was \$621 and \$610 for the years ended December 31, 2023 and December 25, 2022, respectively.

Deferred Franchise Revenue

The Company collects certain franchise development fees from franchisees in connection with franchise development agreements and the build out of future franchisees' locations. These fees are earned as franchisees develop and open bars in accordance with the related development schedule and are recognized over the life of the franchise agreement, usually 10 years. Development fees collected and unearned were \$173 and \$173 for the years ended December 31, 2023 and December 25, 2022, respectively. Based on the development schedule, \$5 and \$4 were expected to be earned within one year and have been classified as current on the consolidated balance sheets as of December 31, 2023 and December 25, 2022, respectively.

Deferred Financing Fees

Deferred financing fees are amortized using the effective interest method over the remaining life of the debt as a component of interest expense. During 2020, the Company incurred \$357 in costs in connection with obtaining financing. Interest expense related to total deferred financing fees was \$87 for the year ended December 31, 2023 and \$91 for the year ended December 25, 2022. Deferred financing fees are included as a reduction of debt within non-current obligations on the consolidated balance sheets.

Revenue Recognition

Revenues, as presented on the consolidated statements of operations, represent food and beverage products sold and are presented net of discounts, coupons, and promotions. Revenue from bar sales is recognized when food and beverage products are sold. Deferred franchise revenue is recognized upon the opening of the franchised bar over the life of the franchise agreement. Franchise area development fee revenues are dependent upon the number of bars in each territory and are recognized as franchisees develop and open bars over the life of the franchise agreement. Royalties are accrued as earned and are calculated each period based on the franchisees underlying bar sales. Cash received from the sale of gift cards and food and beverage credits is deferred and recognized upon redemption.

Food and Beverage

Food and beverage include the cost of food and beverage, and includes inventories, warehousing, and related purchasing and distribution. Vendor allowances received in connection with the purchase of a vendor's products are recognized as a reduction of the related food and beverage costs as earned. Vendor agreements are generally for a period of one year or more and payments received are initially recorded as accrued liabilities on the consolidated balance sheets.

Gift Cards

Revenues from the sale of gift cards are deferred and recognized when redeemed by the holder. Deferred gift card revenue is included within accrued liabilities on the consolidated balance sheets. The Company did not recognize any gift card breakage revenue during the years ended December 31, 2023 and December 25, 2022.

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2023 and December 25, 2022
(Dollars in thousands)

Marketing Expenses

Marketing costs are expensed as incurred when the advertising takes place. Marketing expenses for the year ended December 31, 2023 were \$4,793 and for the year ended December 25, 2022 were \$5,353.

Pre-Opening Costs

New store opening costs incurred with the opening of new bars are expensed as incurred. These costs include manager salaries, relocation costs, supplies, recruiting expenses, employee payroll, training costs (including accommodations for training team members) and public relations and marketing to support the opening of a Bar Louie including launch campaign costs or initial opening promotions and events. Pre-opening costs also include occupancy costs recorded during the period between date of possession and the bar opening date. The Company did not open any new locations during the years ended December 31, 2023 and December 25, 2022.

Income Taxes

The Company files Form 1065, U.S. Partnership Return of Income, which is due on or before April 15 of each year, unless extended. All income or loss of the Company is passed through to the members. The members report their respective percentage of any income or loss on their respective federal income tax or information returns. The Company does pay franchise taxes, which are included in general and administrative expenses on the consolidated statements of operations.

U.S. GAAP requires company management to evaluate tax positions taken by the Company and recognize a tax liability (or asset) if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Company's management has analyzed the tax positions taken by the Company and has concluded that as of December 31, 2023 and December 25, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Company is subject to routine examinations by taxing authorities; however, there are currently no examinations for any tax periods in progress. The Company's policy is to recognize accrued interest related to unrecognized tax benefits in interest expense and any penalties in general and administrative expenses. The Company's management believes they are not subject to income tax examinations for any years prior to 2020.

The Company has not recognized any penalty, interest or tax impact related to uncertain tax positions as of and for the years ended December 31, 2023 and December 25, 2022.

Sales Tax Liability

Sales taxes are imposed by state, county, and city governmental authorities, collected from customers, and remitted to the appropriate taxing authorities. The Company's accounting policy is to record the sales taxes collected as accrued liabilities and then remove the liabilities when the sales taxes are remitted. Revenues are recorded net of sales tax, so there is no impact on the consolidated statements of operations for sales taxes.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or price paid to transfer a liability in an orderly transaction between market participants at the measurement date. Authoritative guidance for fair value measurements establishes a hierarchy that prioritizes the inputs to valuation models based upon

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2023 and December 25, 2022
(Dollars in thousands)

the degree to which they are observable. The three levels of the fair value measurement hierarchy are as follows:

- Level 1 - Inputs represent quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 - Inputs (other than quoted prices included in Level 1) that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date for the duration of the instrument's anticipated life; and
- Level 3 - Inputs are unobservable and, therefore, reflect Management's best estimate of the assumptions that market participants would use in pricing the asset or liability.

The Company estimates the fair value of its assets and liabilities, which qualify as financial instruments, and includes this additional information in the notes to consolidated financial statements when the fair value is different from the carrying value of these instruments. The estimated fair value of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, and accrued liabilities approximate their carrying amounts due to the relatively short maturity of these instruments. The fair value of long-term debt is determined by Level 2 inputs, using applicable rates for similar instruments and collateral as of the consolidated balance sheet date and approximates \$56,000 and \$51,000 as of years ended December 31, 2023 and December 25, 2022, respectively.

Concentration of Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash. The Company maintains cash in bank accounts, which exceed federally insured amounts. Management evaluates the financial condition of the institution and has not incurred a loss and does not anticipate any future losses.

The Company relies on a few distributors for the majority of its non-alcoholic beverage and grocery purchases. However, the products purchased through the distributors are widely available at similar prices from multiple distributors. The Company does not anticipate any risk to the business in the event that these distributors are no longer available to provide their goods and services.

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2023 and December 25, 2022
(Dollars in thousands)

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment by category are comprised of the following as of years ended December 31, 2023 and December 25, 2022:

<u>Asset Category</u>	<u>Asset Life</u>	<u>2023</u>	<u>2022</u>
	Lesser of 9 years or remaining		
Leasehold improvements	lease	\$ 27,129	\$ 24,984
Furniture and fixtures	3-5 years	7,492	6,936
Bar equipment	3-5 years	1,308	1,074
Kitchen equipment	3-5 years	6,094	5,294
Cash registers and computers	2-5 years	1,122	1,273
Audio visual equipment	3-5 years	623	335
Construction in progress		328	770
Accumulated depreciation and amortization		<u>(28,122)</u>	<u>(21,068)</u>
Property and equipment, net		<u>\$ 15,974</u>	<u>\$ 19,598</u>

Depreciation expense was \$7,882 and \$8,764 for the years ended December 31, 2023 and December 25, 2022, respectively, and is included within depreciation and amortization on the consolidated statements of operations.

NOTE 4 - GOODWILL AND OTHER INTANGIBLE ASSETS

The following is a reconciliation of the beginning and ending balances of the Company's goodwill as of years ended December 31, 2023 and December 25, 2022:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 16,446	\$ 18,085
Gift card liability adjustment	-	677
Acquisition of intellectual property	397	-
Amortization	<u>(2,308)</u>	<u>(2,316)</u>
Ending balance	<u>\$ 14,535</u>	<u>\$ 16,446</u>

Identifiable intangible assets that are separable and have determinable useful lives are valued separately and amortized over their benefit period.

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2023 and December 25, 2022
(Dollars in thousands)

Other intangible assets are comprised of the following as of December 31, 2023:

	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>Purchase of Domain Name</u>	<u>Net Amount</u>
Indefinite-lived intangible assets				
Trade names and trademarks	\$ 15,355	\$ -	\$ -	\$ 15,355
Liquor licenses	1,951	-	-	1,951
	<u>\$ 17,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,306</u>
Definite-lived intangible assets				
Franchise agreements	\$ 4,899	\$ 2,201	\$ -	\$ 2,698
Favorable lease agreements	270	270	-	-
	<u>5,169</u>	<u>2,471</u>	<u>-</u>	<u>2,698</u>
Total other intangible assets	<u>\$ 22,475</u>	<u>\$ 2,471</u>	<u>\$ -</u>	<u>\$ 20,004</u>

Other intangible assets are comprised of the following as of December 25, 2022:

	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>Purchase of Domain Name</u>	<u>Net Amount</u>
Indefinite-lived intangible assets				
Trade names and trademarks	\$ 15,355	\$ -	\$ -	\$ 15,355
Liquor licenses	2,271	-	-	2,271
	<u>\$ 17,626</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,626</u>
Definite-lived intangible assets				
Franchise agreements	\$ 4,899	\$ 1,580	\$ -	\$ 3,319
Favorable lease agreements	270	232	-	38
	<u>5,169</u>	<u>1,812</u>	<u>-</u>	<u>3,357</u>
Total other intangible assets	<u>\$ 22,795</u>	<u>\$ 1,812</u>	<u>\$ -</u>	<u>\$ 20,983</u>

As of December 31, 2023, the useful life of trade names and trademarks and liquor licenses are indefinite, eight years for franchise agreements and three years for favorable lease agreements. Amortization expense for intangible assets was \$659 and \$700 for the years ended December 31, 2023 and December 25, 2022, respectively, and is included within depreciation and amortization on the consolidated statements of

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2023 and December 25, 2022
(Dollars in thousands)

operations. There were no liquor license impairments for the years ended December 31, 2023 and December 25, 2022.

Amortization expense of these intangible assets over the next five fiscal years is expected to be the following:

	Aggregate Amortization Expense
2024	\$ 610
2025	610
2026	610
2027	610
2028	258
	<u>\$ 2,698</u>

Select states require the ownership of liquor licenses in order to sell alcoholic beverages in a restaurant retail environment. The Company purchased no liquor licenses in 2023 or 2022.

NOTE 5 - ACCRUED LIABILITIES

Accrued liabilities are comprised of the following as of years ended December 31, 2023 and December 25, 2022:

	2023	2022
Accrued payroll and employee benefits	\$ 1,391	\$ 2,075
Sales, use and property taxes payable	1,314	1,085
Accrued interest	1,691	1,221
Accrued rent	333	624
Gift card and InKind liability	1,495	998
Accrued utilities	309	335
Other	2,611	2,378
	<u>\$ 9,144</u>	<u>\$ 8,716</u>
Accrued liabilities		

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2023 and December 25, 2022
(Dollars in thousands)

NOTE 6 - DEBT

Credit Facility

The following tables summarize the Company's credit facility as of years ended December 31, 2023 and December 25, 2022:

<u>Issuance</u>	<u>Maturity Date</u>	<u>Rate</u>	<u>2023</u>	
			<u>Original Principal</u>	<u>Carrying Amount</u>
Term loan A	April 30, 2025	11.55%	\$ 23,927	\$ 25,005
Term loan B	April 30, 2025	12.05%	21,073	23,420
Revolving credit facility	April 30, 2025	11.54%		7,804
Less: current portion				-
Subtotal				56,229
Unamortized debt issuance costs				(27)
Long-term credit facility, less current maturities				<u>\$ 56,202</u>
<u>Issuance</u>	<u>Maturity Date</u>	<u>Rate</u>	<u>2022</u>	
			<u>Original Principal</u>	<u>Carrying Amount</u>
Term loan A	April 30, 2024	9.64%	\$ 23,927	\$ 23,375
Term loan B	April 30, 2024	10.14%	21,073	21,811
Revolving credit facility	April 30, 2024	10.21%		7,500
Less: current portion				(1,300)
Subtotal				51,386
Unamortized debt issuance costs				(114)
Long-term credit facility, less current maturities				<u>\$ 51,272</u>

The credit facility, bears interest at a rate equal to (i) a Base Rate, as defined in the agreement, plus applicable margin rate of 5.00% for Term A loans or revolving loans and 5.50% for Term B loans (ii) the greater of Secured Overnight Financing Rate (SOFR) or 1.5%, plus applicable margin rate of 6.00% for Term A loans or revolving loans and 6.50% for Term B loans. Substantially all assets of the Company are pledged as collateral.

The Company is required to meet certain financial covenants included in the credit facility amendment with respect to liquidity and capital expenditures, as well as other customary affirmative and negative covenants. As of December 31, 2023 and December 25, 2022, the Company was in compliance with its financial covenants associated with the debt under the credit facility.

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2023 and December 25, 2022
(Dollars in thousands)

As of December 31, 2023 and December 25, 2022, the Company utilized \$0 and \$0 for letters of credit, leaving \$0 and \$2,500 available to use under the revolving credit facility, respectively. Fees on the letters of credit are payable monthly at a rate of 6.00% per annum. The Company pays a facility fee of .50% for unused line of credit balances.

Principal amounts on the term loans are not required to be paid. Through an amendment on April 29, 2024 the maturity date for the aggregate outstanding balances of the term loans and the revolver become due on April 30, 2025.

PPP Loan

On March 24, 2021, BLH Acquisition Co., LLC (the "Borrower"), a subsidiary of BLH Topco, LLC (the "Company"), was granted a loan (the "Loan") from JPMorgan Chase Bank, N.A. in the aggregate amount of \$10,000, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020, and expanded on December 21, 2020 under the Consolidated Appropriations Act of 2021.

The Loan matures on March 24, 2026, and bears interest at a rate of 0.98% per annum, payable monthly commencing on August 8, 2022. The Loan may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, and utilities. The Company has used the entire amount of the loan for qualifying expenses as described in the CARES Act. The Company completed the process of having the loan forgiven during 2022 and a gain of \$10,116 was recognized.

Finance Lease Obligations

	2023	2022
Capital lease obligations	\$ 238	\$ 210
Less: current portion of capital lease obligations	(70)	(50)
Capital lease obligations, less current maturities	<u>\$ 168</u>	<u>\$ 160</u>

Maturities of debt over each of the following five years are as follows:

2024	\$ -
2025	56,229
Total	<u>\$ 56,229</u>

NOTE 7 - RELATED-PARTY TRANSACTIONS

The Company has a credit agreement with Antares Capital LP, as agent for all lenders which are the majority owners of the Company. As such, the Company routinely makes payments to Antares Capital LP. The Company made interest and fee payments of \$2,549 and \$3,840 during the years ended December 31, 2023 and December 25, 2022, respectively. The Company made \$0 and \$1,950 in principal payments during the years ended December 31, 2023 and December 25, 2022, respectively.

The Company is advised by an independent Board of Directors consisting of four Board members. The Board consists of three independent advisors and the Company's CEO. The Company issues quarterly

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2023 and December 25, 2022
(Dollars in thousands)

payments for Board Member fees to the independent advisors. The Company made payments of \$215 and \$353 to Board Members during the years ended December 31, 2023 and December 25, 2022, respectively.

NOTE 8 - EMPLOYEE BENEFIT PLANS

The Company has a defined contribution benefit plan in accordance with section 401(k) of the Internal Revenue Code ("401(k) Plan") that is open to employees who meet certain eligibility requirements. The 401(k) Plan allows employees to defer the receipt of a portion of their compensation and contribute such amount to one or more investment options. The Company pays no administrative, recordkeeping, Trustee, or audit fees.

NOTE 9 - SUPPLEMENTAL CASH FLOW INFORMATION

The following table details supplemental cash flow disclosures of non-cash investing and financing activities for the years ended December 31, 2023 and December 25, 2022:

	2023	2022
Supplemental cash flow disclosures of non-cash investing and financing activities:		
Capital expenditures included in accounts payable and accrued liabilities	\$ 366	\$ 314
Finance lease additions	90	68
Supplemental cash flow disclosures:		
Interest paid, net of capitalized interest	\$ 2,523	\$ 3,701
Income taxes paid, net of refunds	-	8

NOTE 10 - COMMITMENTS AND CONTINGENCIES***Lease Commitments***

The Company has real property leases, classified as operating leases, for its corporate headquarters and bar operations, with original terms ranging from one to nine years. Generally, the leases have available renewal options which extend the terms of the underlying leases by five years for each renewal option.

The real property leases generally require the payment of fixed monthly base rent payments which may escalate over the term of the lease. The Company is also responsible for paying variable operating expenses, which may include real estate taxes, insurance, other operating expenses or percentage rent. Additionally, variable lease expenses related to certain real property leases may include escalations in rent costs that result from rent adjustments required under lease agreements whereby rental increases are based (in full or in part) on changes in the Consumer Price Index.

Leases

Right-of-use assets represent the Company's right to use an underlying asset for the lease term, while lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2023 and December 25, 2022
(Dollars in thousands)

Certain of the Company's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Company's sole discretion. The Company regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Company includes such options in the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Company uses the rate implicit in the lease, or if not readily available, the Company uses a risk-free rate based on U.S. Treasury notes or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Company's long-lived asset policy. The Company reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Company makes significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Company:

Evaluates whether a contract contains a lease, by considering factors such as whether the Company obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;

Determines whether contracts contain embedded leases; and

Allocates consideration in the contract between lease and nonlease components.

The Company does not have any leasing transactions with related parties.

The following table summarizes the lease right-of-use assets and lease liabilities as of December 31, 2023 and December 25, 2022:

	2023	2022
Right-of-use assets, net:		
Operating leases	\$ 31,372	\$ 39,050
Finance leases	227	204
	<u>\$ 31,599</u>	<u>\$ 39,254</u>
Lease liabilities:		
Current operating lease liabilities	\$ 11,204	\$ 11,061
Current finance lease liabilities	70	50
Long-term operating lease liabilities	26,765	32,729
Long-term finance lease liabilities	168	160
	<u>\$ 38,207</u>	<u>\$ 44,000</u>

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2023 and December 25, 2022
(Dollars in thousands)

Below is a summary of expenses incurred pertaining to leases during the year ended December 31, 2023 and December 25, 2022:

	2023	2022
Finance lease expense:		
Amortization of right-of-use assets	\$ 67	\$ 48
Interest on lease liabilities	17	16
Operating lease expense	11,216	10,547
Short-term lease expense	-	38
Variable lease expense	1,581	1,923
	<u>12,881</u>	<u>12,572</u>
Total lease expense	<u>\$ 12,881</u>	<u>\$ 12,572</u>

The following table presents supplemental information related to leases during the year ended December 31, 2023 and December 25, 2022:

	2023	2022
Weighted average remaining lease term (in years):		
Operating leases	3.90	4.55
Finance leases	3.26	3.88
Weighted average discount rate:		
Operating leases	2.22%	1.69%
Finance leases	6.49%	7.75%

The table below summarizes the Company's scheduled future minimum lease payments for years ending after December 31, 2023:

Year Ending	Operating Leases	Finance Leases
December 29, 2024	\$ 11,817	\$ 83
December 28, 2025	10,496	83
December 27, 2026	8,053	66
December 26, 2027	5,648	26
December 31, 2028	2,490	5
Thereafter	1,042	-
	<u>39,546</u>	<u>263</u>
Total lease payments		
Less: present value discount	(1,577)	(25)
	<u>37,969</u>	<u>238</u>
Total lease liabilities		
Less: current portion	(11,204)	(70)
	<u>26,765</u>	<u>168</u>
Long-term lease liabilities		

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2023 and December 25, 2022
(Dollars in thousands)

The following table includes supplemental cash flow and noncash information related to the leases for the year ended December 31, 2023 and December 25, 2022:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 11,809	\$ 10,919
Operating cash flows from finance leases	19	15
Financing cash flows from finance leases	63	47
Supplemental noncash information:		
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	5,250	6,571
Finance leases	90	68
Right-of-use assets adjustment due to early lease termination:		
Operating leases	-	(199)
Right-of-use assets adjustment due to impairment:		
Operating leases	2,481	-

Franchise Agreements

The Company enters into franchise agreements that require the franchisee to remit ongoing royalty and marketing fees based on a percentage of the franchisee's sales revenue and the Company, as franchisor, to provide brand specific information including food and beverage requirements, supplier recommendations, marketing materials, operations manuals and licenses to certain franchise intellectual property.

Legal Matters

Within the ordinary course of business, the Company is subject to private lawsuits, government audits, administrative proceedings and other claims. These matters typically involve claims from guests, employees and others related to operational and employment issues common to the foodservice industry. These claims may exist at any given time. The Company does not believe that any claim will have a material adverse impact on the Company's financial condition, cash flows, or results of operations.

NOTE 11 – NONMONETARY TRANSACTIONS

During 2023, the Company acquired a franchisee's bar location, comprised of property and equipment and inventory with a fair value of \$649 and \$28, respectively plus cash of \$5 to cover liabilities on behalf of the franchisee. The Company did not pay any cash for the assets acquired and recognized a gain of \$673 related to the transaction.

NOTE 12 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through May 29, 2024, the date the consolidated financial statements were available to be issued.

On April 29, 2024 a limited waiver and amendment No. 9 to the credit agreement was entered into among BLH Acquisition Co., LLC and Antares Capital LP (and as agent for the lenders) whereby the outstanding balance of the term loans and the revolving credit facility are due April 30, 2025 and the credit parties shall

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2023 and December 25, 2022
(Dollars in thousands)

not permit average weekly liquidity to be less than \$750 and less than \$200 as of the close of any business day. The balance sheet and related notes have been updated to reflect this amendment.

Consolidated Financial Statements and Report of Independent Certified Public Accountants

BLH TopCo, LLC

Years ended December 25, 2022 and
December 26, 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
BLH TopCo, LLC

Opinion

We have audited the consolidated financial statements of BLH TopCo, LLC (a Delaware corporation) and subsidiaries (collectively, the "Company"), which comprise the consolidated balance sheets as of December 25, 2022 and December 26, 2021, and the related consolidated statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 25, 2022 and December 26, 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 of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). 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.

Emphasis of matter

As discussed in Note 10 to the financial statements, the Company has adopted new accounting guidance related to the adoption of *FASB Accounting Standards Codification*[®] 842, *Leases*, effective January 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated 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 the financial statements are issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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.

Grant Thornton LLP

Dallas, Texas
May 22, 2023

BLH TopCo, LLC

CONSOLIDATED BALANCE SHEETS

December 25, 2022 and December 26, 2021
(Dollars in thousands)

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,735	\$ 8,900
Accounts receivable	1,912	2,243
Inventories	1,896	1,861
Prepaid expenses	<u>1,350</u>	<u>1,293</u>
Total current assets	8,893	14,297
Property and equipment, net	19,598	27,657
Operating right of use assets, net	39,050	-
Finance right of use assets, net	204	-
Goodwill, net	16,446	18,085
Other intangible assets, net	20,983	21,683
Other non-current assets	<u>247</u>	<u>265</u>
Total assets	<u>\$ 105,421</u>	<u>\$ 81,987</u>
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable	\$ 5,469	\$ 3,696
Accrued liabilities	8,716	8,866
Short-term lease liability	11,061	-
Short-term finance lease liability	50	35
Current maturities of PPP loan	-	1,163
Current maturities of credit facility	<u>1,300</u>	<u>2,600</u>
Total current liabilities	26,596	16,360
PPP loan, less current maturities	-	8,837
Credit facility, less current maturities	51,272	51,240
Deferred rent, less current portion	-	4,291
Lease liabilities, less current portion	32,729	-
Finance lease liabilities, less current portion	160	127
Other non-current liabilities	<u>169</u>	<u>931</u>
Total liabilities	110,926	81,786
Commitments and contingencies		
Members' equity (deficit)		
Additional paid-in capital	29,218	29,218
Accumulated deficit	<u>(34,723)</u>	<u>(29,017)</u>
Members' equity (deficit)	<u>(5,505)</u>	<u>201</u>
Total members' equity (deficit)	<u>\$ 105,421</u>	<u>\$ 81,987</u>

The accompanying notes are an integral part of these consolidated financial statements.

BLH TopCo, LLC

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

	<u>2022</u>	<u>2021</u>
Revenues		
Food and beverage	\$ 141,833	\$ 133,670
Franchise royalties and fees	2,763	2,648
	<u>144,596</u>	<u>136,318</u>
Costs of Company bar sales		
Food and beverage	39,088	36,540
Payroll and benefits	45,819	43,180
Occupancy	14,535	13,956
Other operating expenses	22,531	19,001
	<u>121,973</u>	<u>112,677</u>
Franchise support costs	1,136	897
Marketing expenses	5,353	5,660
General and administrative expenses	13,250	11,251
Loss on disposal of assets and impairment	1,822	1,564
Depreciation and amortization	11,841	13,694
	<u>33,402</u>	<u>33,066</u>
Total operating costs and expenses		
	<u>33,402</u>	<u>33,066</u>
Loss from operations	(10,779)	(9,425)
Other expenses		
Interest expense, net	4,651	4,696
Gain on PPP loan forgiveness	(10,116)	-
	<u>(5,465)</u>	<u>4,696</u>
Total other expenses		
	<u>(5,465)</u>	<u>4,696</u>
Loss before taxes	(5,314)	(14,121)
Income tax expense	6	10
	<u>6</u>	<u>10</u>
NET LOSS	<u>\$ (5,320)</u>	<u>\$ (14,131)</u>

The accompanying notes are an integral part of these consolidated financial statements.

BLH TopCo, LLC

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY (DEFICIT)

Years ended December 25, 2022 and December 26, 2021

(Dollars in thousands)

	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total Members' Equity</u>
Balance, December 27, 2020	\$ 29,218	\$ (14,886)	\$ 14,332
Net loss	<u>-</u>	<u>(14,131)</u>	<u>(14,131)</u>
Balance, December 26, 2021	29,218	(29,017)	201
Adjustment related to new accounting principle	-	(386)	(386)
Net loss	<u>-</u>	<u>(5,320)</u>	<u>(5,320)</u>
Balance, December 25, 2022	<u>\$ 29,218</u>	<u>\$ (34,723)</u>	<u>\$ (5,505)</u>

The accompanying notes are an integral part of these consolidated financial statements.

BLH TopCo, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Net loss	\$ (5,320)	\$ (14,131)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	11,841	13,694
Gain on PPP loan forgiveness	(10,116)	-
Deferred financing costs	91	95
Loss on disposal of assets and impairment	1,822	1,564
Paid-in-kind interest - third party	591	30
Changes in operating assets and liabilities:		
Accounts receivable	331	44
Inventories	(35)	(245)
Prepaid expenses	(57)	314
Other non-current assets	18	86
Deferred rent	-	(1,279)
Accounts payable	1,772	1,634
Accrued liabilities	462	860
Other non-current liabilities	(782)	(10)
Net cash provided by operating activities	<u>618</u>	<u>2,656</u>
Cash flows from investing activities:		
Purchases of property and equipment	(3,817)	(4,227)
Proceeds from sale of property and equipment	31	1
Purchases of domain name	-	(7)
Net cash used in investing activities	<u>(3,786)</u>	<u>(4,233)</u>
Cash flows from financing activities:		
Proceeds from issuance of long-term debt - PPP Loan	-	10,000
Repayment of long-term debt	(1,950)	(600)
Borrowings on revolving credit facility	-	1,500
Repayment of revolving credit facility	-	(807)
Payments on capital lease obligations	(47)	(9)
Net cash provided by (used in) financing activities	<u>(1,997)</u>	<u>10,084</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,165)	8,507
Cash at beginning of year	<u>8,900</u>	<u>393</u>
Cash at end of year	<u><u>\$ 3,735</u></u>	<u><u>\$ 8,900</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

NOTE 1 - BUSINESS AND BASIS OF PRESENTATION

References in the notes to consolidated financial statements to “Bar Louie” or the “Company” refer to BLH TopCo, LLC and all entities included in the consolidated financial statements.

Nature of Operations

Bar Louie is a differentiated social casual “GastroBar” that delivers a comfortable, urban atmosphere known for its signature, hand-crafted cocktails made from fresh fruit and hand-squeezed juices and created in front of the guests. In addition, Bar Louie offers an extensive selection of traditionally and regionally inspired American food, including shareable plates, burgers and sandwiches served every day until close.

The Company was incorporated in Delaware on May 19, 2020. On May 27, 2020, the Company acquired substantially all the assets (the “Business”) of BL Restaurant Operations, LLC and BL Restaurant Franchises, LLC. The Company operates and is managed by its individual managers.

The Company owned and operated 47 company-owned and 19 franchise locations at December 25, 2022, throughout the United States.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of BLH TopCo, LLC and its wholly owned subsidiaries, BLH Holdco, LLC, BLH Acquisition Co., LLC, BLH Franchises Restaurants, LLC, BLH White Marsh LLC, BL Firewheel – Garland Private Club, and BL Allen Private Club. All intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). In the opinion of management, all adjustments, consisting principally of normal recurring adjustments, considered necessary for a fair presentation have been included.

Segment Reporting and Geographic Information

The Company views its operations and manages its business in one operating segment, and as such has only one reportable segment. All the Company's revenues are derived in the United States of America. All the Company's assets are located in the United States of America.

Fiscal Year

The Company's fiscal year is a 52-53-week year ending on the last Sunday of the month occurring before December 31. Fiscal year 2022 ended on December 25, 2022 and consisted of 52 weeks. Fiscal year 2021 ended on December 26, 2021 and consisted of 52 weeks.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES***Leases***

Effective December 27, 2021, the Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and all related amendments using the modified retrospective approach. The Company's fiscal 2021 financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the non-cancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. At the date of adoption, the Company recorded operating lease right-of-use assets and lease liabilities of \$42,605 and \$48,388, respectively. The Company re-classified existing kitchen equipment capital leases as finance lease right-of-use assets, net and finance lease liabilities.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Company elected:

- The package of practical expedients permitted under the transition guidance which does not require the Company to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs.

The new standard also provides for several accounting policy elections, as follows:

- When the rate implicit in the lease is not determinable, rather than use the Company's incremental borrowing rate, the Company elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes.
- The Company elected not to apply the recognition requirements for all leases with an original term of 12 months or less, for which the Company is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

Additional required disclosures for Topic 842 are contained in Note 10.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions, such as valuation of long-lived, definite- and indefinite-lived assets, estimated useful lives of assets and the reasonably assured lease terms of operating leases that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include deposits in financial institutions and short-term investments with original maturities of 90 days or less. Checks issued, but not yet presented for payment to the bank, are reflected as a reduction of cash and cash equivalents.

Liquidity and Credit Risk

The primary sources of liquidity and capital resources are cash provided from operating activities, cash and cash equivalents, and secured credit facilities. The primary requirements for liquidity and capital are working capital and general corporate needs. Company operations have not required significant working capital and, similar to many restaurant chains, the Company has been able to operate, and will continue to operate, with negative working capital. The requirement for working capital is not significant since bar guests pay for their food and beverage purchases in cash or payment cards (credit or debit) at the time of sale. Thus, the

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

Company is often able to sell inventory before payment for such items is due to suppliers. The bars do not require significant inventories or receivables.

The Company believes cash and cash equivalents and expected cash flow from operations are adequate to fund debt service requirements, operating lease obligations, capital expenditures and working capital obligations for the next 12 months. However, the ability to continue to meet these requirements and obligations will depend on, among other things, the Company's ability to achieve anticipated levels of revenue and cash flow from operations and the ability to manage costs and working capital successfully. Such operating performance will be subject to financial, economic, and other factors affecting the industry and operations of the Company, including factors beyond the Company's control.

Accounts Receivable

Accounts receivable consists of credit card receivables due from credit card providers, rebates due from suppliers, receivables due from third party delivery companies and franchise receivables due from franchisees. The Company typically collects the credit card receivables within two to three business days of the initial sale dates. Receivables due from third party delivery companies are collected within one to two weeks. Franchise receivables are typically collected within one week. An allowance for doubtful accounts has been established for legal fees that remain unreimbursed from one franchisee.

Inventories

Inventories consist primarily of food and beverage products, which are stated at the lower of cost, as determined using the moving weighted-average costing method (which approximates first-in, first-out method), or market. Any unused or spoiled inventory is written off when identified.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful life of the asset, generally three to five years for equipment. Leasehold improvements are depreciated over the shorter of their estimated lives or the related lease term.

Expenditures for maintenance and repairs are charged to operations as incurred. Expenditures for betterments and major renewals are capitalized. The cost of assets sold or retired, and the related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal and the resulting gains or losses are included in operations.

Goodwill and Identifiable Intangible Assets

Upon acquisition, identifiable intangible assets are recorded at fair value. Identifiable intangible assets with finite lives are amortized over their estimated useful lives.

Estimated useful lives for these identifiable intangible assets are as follows:

<u>Intangible Asset Classification</u>	<u>Estimated Useful Life</u>
Trademarks	Indefinite
Franchise agreements	8 years
Goodwill	10 years
Liquor licenses	Indefinite
Favorable lease agreements	3 years

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

Goodwill represents the excess of the cost of acquired businesses over fair value attributed to underlying net tangible assets and identifiable intangible assets.

The Company amortizes its goodwill over 10 years, and tests goodwill for impairment upon the occurrence of a triggering event indicating that the fair value of the Company might be less than its carrying amount. No triggering events were identified in 2022. The Company recognized \$2,316 and \$2,141 of amortization of goodwill, for the years ended December 25, 2022 and December 26, 2021, respectively.

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, intangible assets, and goodwill, subject to depreciation and amortization, are reviewed for impairment when events or circumstances indicate these assets may not be recoverable. Factors considered include significant underperformance relative to expected historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for the overall business and significant negative industry or economic trends. The recoverability is assessed in most cases by comparing the carrying value of the asset to the undiscounted cash flows expected to be generated by the asset. If the sum of the anticipated undiscounted cash flows for the long-lived assets is less than their carrying value, an impairment loss is recognized for the difference between the anticipated discounted cash flows, which approximates fair value, and the carrying value of the long-lived assets. This assessment process requires the use of estimates and assumptions regarding future cash flows and estimated useful lives, which are subject to a significant degree of judgment. The long-term financial forecasts represent the best estimate at the time and management believes the underlying assumptions are reasonable. If these assumptions change in the future, the Company may be required to record impairment charges for these assets.

Due to the impact of changes in customer behavior and lower than expected sales at certain bars, certain leasehold improvements had carrying values that exceeded their estimated fair values. During fiscal 2022, the Company had impairment charges of \$1,345 related to eight bars. During fiscal 2021, the Company had impairment charges of \$1,405 for five bars.

Liquor Licenses

The costs of obtaining non-transferable liquor licenses that are directly issued by local government agencies for nominal fees are expensed as incurred. Annual liquor license renewal fees in excess of \$3 are expensed over the renewal term. The costs of purchasing transferable liquor licenses through open markets in jurisdictions with a limited number of authorized liquor licenses are capitalized as indefinite-lived intangible assets and included within other intangible assets, net on the consolidated balance sheet. Indefinite-lived liquor licenses are reviewed for impairment at least annually or more frequently should an event occur, or circumstances indicate that the carrying amount may be impaired. Due to the impact of pricing and availability of liquor licenses in the open market, certain liquor licenses classified as intangible assets could have carrying values that exceeded their estimated fair values. The Company determined the estimated fair value based on prices in the open market for licenses in similar jurisdictions (Level 2 in the fair value hierarchy). The Company recorded no impairment for the years ended December 25, 2022 and December 26, 2021.

Trade Name

A trade name is considered to be an important element associated with the sales appeal of certain products and services. The trade name distinguishes goods and services from competitors, indicates the source of the goods and services, and serves as an indication of the quality of the product. The Company trade name consists of various protected words, symbols, and designs that help identify the Company's products and services such as the "Bar Louie" trade name. Trade names are classified as indefinite-lived intangible

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

assets and included within other intangible assets, net on the consolidated balance sheets and are reviewed for impairment annually. The Company recorded no impairment for the years ended December 25, 2022 and December 26, 2021.

Favorable and Unfavorable Leases

A favorable or unfavorable leasehold interest represents the future lease obligations under the in-place contractual lease terms that are either above or below market value. The value of acquired leases that were determined to be favorable or unfavorable to market rents are recorded on the consolidated balance sheets and amortized on a straight-line basis over 3 years, the average remaining term of the operating lease agreements. Favorable leases and unfavorable leases are included within other intangible assets on the consolidated balance sheets. The Company recognized \$90 of amortization of favorable and unfavorable leases, which is included in depreciation and amortization expense in the consolidated statements of operations for the years ended December 25, 2022 and December 26, 2021.

Franchise Agreements

The cost of franchise agreements are capitalized and amortized over the estimated useful life of the agreement. This capitalized cost is amortized on a straight-line basis over an estimated useful life of eight years and is included within other intangible assets, net on the consolidated balance sheets. Amortization was \$610 for the years ended December 25, 2022 and December 26, 2021.

Deferred Franchise Revenue

The Company collects certain franchise development fees from franchisees in connection with franchise development agreements and the build out of future franchisees' locations. These fees are earned as franchisees develop and open bars in accordance with the related development schedule and are recognized over the life of the franchise agreement, usually 10 years. Development fees collected and unearned were \$173 and \$175 for the years ended December 25, 2022 and December 26, 2021, respectively. Based on the development schedule, \$4 and \$25 were expected to be earned within one year and have been classified as current on the consolidated balance sheets as of December 25, 2022 and December 26, 2021, respectively.

Deferred Financing Fees

Deferred financing fees are amortized using the effective interest method over the remaining life of the debt as a component of interest expense. During 2020, the Company incurred \$357 in costs in connection with obtaining financing. Interest expense related to total deferred financing fees was \$91 for the year ended December 25, 2022, and \$95 for the year ended December 26, 2021. Deferred financing fees are included as a reduction of debt within long-term obligations on the consolidated balance sheets.

Revenue Recognition

Revenues, as presented on the consolidated statements of operations, represent food and beverage products sold and are presented net of discounts, coupons, and promotions. Revenue from bar sales is recognized when food and beverage products are sold. Deferred franchise revenue is recognized upon the opening of the franchised bar over the life of the franchise agreement. Franchise area development fee revenues are dependent upon the number of bars in each territory and are recognized as franchisees develop and open bars over the life of the franchise agreement. Royalties are accrued as earned and are calculated each period based on the franchisees underlying bar sales. Cash received from the sale of gift cards is deferred and recognized upon redemption.

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

Food and Beverage

Food and beverage include the cost of food and beverage, and includes inventories, warehousing, and related purchasing and distribution. Vendor allowances received in connection with the purchase of a vendor's products are recognized as a reduction of the related food and beverage costs as earned. Vendor agreements are generally for a period of one year or more and payments received are initially recorded as accrued liabilities on the consolidated balance sheets.

Gift Cards

Revenues from the sale of gift cards are deferred and recognized when redeemed by the holder. Deferred gift card revenue is included within accrued liabilities on the consolidated balance sheets. The Company did not recognize any gift card breakage revenue during the years ended December 25, 2022 and December 26, 2021.

Marketing Expenses

Marketing costs are expensed as incurred when the advertising takes place. Marketing expenses for the year ended December 25, 2022 were \$5,353 and for the year ended December 26, 2021 were \$5,660.

Pre-Opening Costs

New store opening costs incurred with the opening of new bars are expensed as incurred. These costs include manager salaries, relocation costs, supplies, recruiting expenses, employee payroll, training costs (including accommodations for training team members) and public relations and marketing to support the opening of a Bar Louie including launch campaign costs or initial opening promotions and events. Pre-opening costs also include occupancy costs recorded during the period between date of possession and the bar opening date. The Company did not open any new locations during the years ended December 25, 2022 and December 26, 2021.

Income Taxes

The Company files Form 1065, U.S. Partnership Return of Income, which is due on or before April 15 of each year, unless extended. All income or loss of the Company is passed through to the members. The members report their respective percentage of any income or loss on their respective federal income tax or information returns. The Company does pay franchise taxes, which are included in general and administrative expenses on the consolidated statements of operations.

U.S. GAAP requires company management to evaluate tax positions taken by the Company and recognize a tax liability (or asset) if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Company's management has analyzed the tax positions taken by the Company and has concluded that as of December 25, 2022 and December 26, 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Company is subject to routine examinations by taxing authorities; however, there are currently no examinations for any tax periods in progress. The Company's policy is to recognize accrued interest related to unrecognized tax benefits in interest expense and any penalties in general and administrative expenses. The Company's management believes they are not subject to income tax examinations for any years prior to 2020.

The Company has not recognized any penalty, interest or tax impact related to uncertain tax positions as of and for the years ended December 25, 2022 and December 26, 2021.

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

Sales Tax Liability

Sales taxes are imposed by state, county, and city governmental authorities, collected from customers, and remitted to the appropriate taxing authorities. The Company's accounting policy is to record the sales taxes collected as accrued liabilities and then remove the liabilities when the sales taxes are remitted. Revenues are recorded net of sales tax, so there is no impact on the consolidated statements of operations for sales taxes.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or price paid to transfer a liability in an orderly transaction between market participants at the measurement date. Authoritative guidance for fair value measurements establishes a hierarchy that prioritizes the inputs to valuation models based upon the degree to which they are observable. The three levels of the fair value measurement hierarchy are as follows:

- Level 1 - Inputs represent quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 - Inputs (other than quoted prices included in Level 1) that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date for the duration of the instrument's anticipated life; and
- Level 3 - Inputs are unobservable and, therefore, reflect Management's best estimate of the assumptions that market participants would use in pricing the asset or liability.

The Company estimates the fair value of its assets and liabilities, which qualify as financial instruments, and includes this additional information in the notes to consolidated financial statements when the fair value is different from the carrying value of these instruments. The estimated fair value of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, and accrued liabilities approximate their carrying amounts due to the relatively short maturity of these instruments. The fair value of long-term debt is determined by Level 2 inputs, using applicable rates for similar instruments and collateral as of the consolidated balance sheet date and approximates \$51,000 and \$60,000 as of years ended December 25, 2022 and December 26, 2021, respectively.

Concentration of Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash. The Company maintains cash in bank accounts, which exceed federally insured amounts. Management evaluates the financial condition of the institution and has not incurred a loss and does not anticipate any future losses.

The Company relies on a few distributors for the majority of its non-alcoholic beverage and grocery purchases. However, the products purchased through the distributors are widely available at similar prices from multiple distributors. The Company does not anticipate any risk to the business in the event that these distributors are no longer available to provide their goods and services.

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment by category are comprised of the following as of years ended December 25, 2022 and December 26, 2021:

Asset Category	Asset Life	2022	2021
	Lesser of 9 years or remaining		
Leasehold improvements	lease	\$ 24,984	\$ 26,194
Furniture and fixtures	3-5 years	6,936	5,919
Bar equipment	3-5 years	1,074	1,093
Kitchen equipment	3-5 years	5,294	5,079
Cash registers and computers	2-5 years	1,273	1,588
Audio visual equipment	3-5 years	335	212
Buildings under deemed landlord financing	25 years	-	546
Construction in progress		770	1,958
Accumulated depreciation and amortization		(21,068)	(14,932)
Property and equipment, net		\$ 19,598	\$ 27,657

Depreciation expense was \$8,764 and \$10,853 for the years ended December 25, 2022 and December 26, 2021, respectively, and is included within depreciation and amortization on the consolidated statements of operations.

NOTE 4 - GOODWILL AND OTHER INTANGIBLE ASSETS

The following is a reconciliation of the beginning and ending balances of the Company's goodwill as of years ended December 25, 2022 and December 26, 2021:

	2022	2021
Beginning balance	\$ 18,085	\$ 20,226
Gift card liability adjustment	677	-
Amortization	(2,316)	(2,141)
Ending balance	\$ 16,446	\$ 18,085

Identifiable intangible assets that are separable and have determinable useful lives are valued separately and amortized over their benefit period.

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

Other intangible assets are comprised of the following as of December 25, 2022:

	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>Purchase of Domain Name</u>	<u>Net Amount</u>
Indefinite-lived intangible assets				
Trade names and trademarks	\$ 15,355	\$ -	\$ -	\$ 15,355
Liquor licenses	2,271	-	-	2,271
	<u>\$ 17,626</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,626</u>
Definite-lived intangible assets				
Franchise agreements	\$ 4,899	\$ 1,580	\$ -	\$ 3,319
Favorable lease agreements	270	232	-	38
	<u>5,169</u>	<u>1,812</u>	<u>-</u>	<u>3,357</u>
Total other intangible assets	<u>\$ 22,795</u>	<u>\$ 1,812</u>	<u>\$ -</u>	<u>\$ 20,983</u>

Other intangible assets are comprised of the following as of December 26, 2021:

	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>Purchase of Domain Name</u>	<u>Net Amount</u>
Indefinite-lived intangible assets				
Trade names and trademarks	\$ 15,348	\$ -	\$ 7	\$ 15,355
Liquor licenses	2,271	-	-	2,271
	<u>\$ 17,619</u>	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 17,626</u>
Definite-lived intangible assets				
Franchise agreements	\$ 4,899	\$ 969	\$ -	\$ 3,930
Favorable lease agreements	270	143	-	127
	<u>5,169</u>	<u>1,112</u>	<u>-</u>	<u>4,057</u>
Total other intangible assets	<u>\$ 22,788</u>	<u>\$ 1,112</u>	<u>\$ 7</u>	<u>\$ 21,683</u>

As of December 25, 2022, the useful life of trade names and trademarks and liquor licenses are indefinite, eight years for franchise agreements and three years for favorable lease agreements. Amortization expense for intangible assets was \$700 for the years ended December 25, 2022 and December 26, 2021, and is included within depreciation and amortization on the consolidated statements of operations. There were no liquor license impairments for the years ended December 25, 2022 and December 26, 2021.

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

Amortization expense of these intangible assets over the next five fiscal years is expected to be the following:

	Aggregate Amortization Expense
2023	\$ 660
2024	610
2025	610
2026	610
2027	610
	<u>\$ 3,100</u>

Select states require the ownership of liquor licenses in order to sell alcoholic beverages in a restaurant retail environment. The Company purchased no liquor licenses in 2022 or 2021.

NOTE 5 - ACCRUED LIABILITIES

Accrued liabilities are comprised of the following as of years ended December 25, 2022 and December 26, 2021:

	2022	2021
Accrued payroll and employee benefits	\$ 2,075	\$ 2,327
Deferred rent	-	1,380
Sales, use and property taxes payable	1,085	1,313
Accrued interest	1,221	1,068
Assumed cure obligations	-	15
Accrued rent	624	552
Gift card liability	998	290
Accrued utilities	335	300
Other	2,378	1,621
	<u>\$ 8,716</u>	<u>\$ 8,866</u>
Accrued liabilities		

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

NOTE 6 - DEBT

Credit Facility

The following tables summarize the Company's credit facility as of years ended December 25, 2022 and December 26, 2021:

<u>Issuance</u>	<u>Maturity Date</u>	<u>Rate</u>	<u>2022</u>	
			<u>Original Principal</u>	<u>Carrying Amount</u>
Term loan A	April 30, 2024	9.64%	\$ 23,927	\$ 23,375
Term loan B	April 30, 2024	10.14%	21,073	21,811
Revolving credit facility	April 30, 2024	10.21%		7,500
Less current portion				<u>(1,300)</u>
Subtotal				51,386
Unamortized debt issuance costs				<u>(114)</u>
Long-term credit facility, less current maturities				<u>\$ 51,272</u>
<u>Issuance</u>	<u>Maturity Date</u>	<u>Rate</u>	<u>2021</u>	
			<u>Original Principal</u>	<u>Carrying Amount</u>
Term loan A	April 30, 2024	7.50%	\$ 23,927	\$ 24,583
Term loan B	April 30, 2024	8.00%	21,073	21,962
Revolving credit facility	April 30, 2024	7.50%		7,500
Less current portion				<u>(2,600)</u>
Subtotal				51,445
Unamortized debt issuance costs				<u>(205)</u>
Long-term credit facility, less current maturities				<u>\$ 51,240</u>

The credit facility, bears interest at a rate equal to (i) a Base Rate, as defined in the agreement, plus applicable margin rate of 5.00% for Term A loans or revolving loans and 5.50% for Term B loans (ii) the greater of London Interbank Offered Rate or 1.5%, plus applicable margin rate of 6.00% for Term A loans or revolving loans and 6.50% for Term B loans. Substantially all assets of the Company are pledged as collateral.

The Company is required to meet certain financial covenants included in the credit facility amendment with respect to leverage ratios, fixed charge ratios, and capital expenditures, as well as other customary affirmative and negative covenants. As of December 25, 2022 and December 26, 2021, the Company was in compliance with its financial covenants associated with the debt under the credit facility.

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

As of December 25, 2022 and December 26, 2021 the Company utilized \$0 for letters of credit, leaving \$2,500 available to use under the revolving credit facility. Fees on the letters of credit are payable monthly at a rate of 6.00% per annum. The Company pays a facility fee of .50% for unused line of credit balances.

Principal amounts on the term loans are paid quarterly in installments as set forth in the credit agreement. The aggregate outstanding balances of the term loans and the revolver become due on April 30, 2024.

PPP Loan

On March 24, 2021, BLH Acquisition Co., LLC (the "Borrower"), a subsidiary of BLH Topco, LLC (the "Company"), was granted a loan (the "Loan") from JPMorgan Chase Bank, N.A. in the aggregate amount of \$10,000, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020, and expanded on December 21, 2020 under the Consolidated Appropriations Act of 2021.

The Loan matures on March 24, 2026, and bears interest at a rate of 0.98% per annum, payable monthly commencing on August 8, 2022. The Loan may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, and utilities. The Company has used the entire amount of the loan for qualifying expenses as described in the CARES Act. The Company completed the process of having the loan forgiven during 2022 and a gain of \$10,116 was recognized.

Finance Lease Obligations

	2022	2021
Capital lease obligations	\$ 210	\$ 162
Less current portion of capital lease obligations	(50)	(35)
Capital lease obligations, less current maturities	<u>\$ 160</u>	<u>\$ 127</u>

Maturities of debt over each of the following five years are as follows:

2023	\$ 1,350
2024	51,439
2025	58
2026	44
2027	5
Total	<u>\$ 52,896</u>

NOTE 7 - RELATED-PARTY TRANSACTIONS

The Company has a credit agreement with Antares Capital LP, as agent for all lenders which are the majority owners of the Company. As such, the Company routinely makes payments to Antares Capital LP. The Company made interest and fee payments of \$3,840 and \$3,475 during the years ended December 25, 2022 and December 26, 2021, respectively. The Company made \$1,950 and \$1,407 in principal payments during the years ended December 25, 2022 and December 26, 2021.

The Company is advised by an independent Board of Directors consisting of four Board members. The Board consists of three independent advisors and the Company's CEO. The Company issues quarterly

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

payments for Board Member fees to the independent advisors. The Company made payments of \$353 and \$222 to Board Members during the years ended December 25, 2022 and December 26, 2021, respectively.

NOTE 8 - EMPLOYEE BENEFIT PLANS

The Company has a defined contribution benefit plan in accordance with section 401(k) of the Internal Revenue Code ("401(k) Plan") that is open to employees who meet certain eligibility requirements. The 401(k) Plan allows employees to defer the receipt of a portion of their compensation and contribute such amount to one or more investment options. The Company pays certain administrative expenses incurred by the 401(k) Plan, including recordkeeping, Trustee, and audit fees. Expenses recognized in 2022 were \$0 and in 2021 were \$55.

NOTE 9 - SUPPLEMENTAL CASH FLOW INFORMATION

The following table details supplemental cash flow disclosures of non-cash investing and financing activities for the years ended December 25, 2022 and December 26, 2021:

	2022	2021
Supplemental cash flow disclosures of non-cash investing and financing activities:		
Capital expenditures included in accounts payable and accrued liabilities	\$ 314	\$ 274
Finance lease additions	68	171
Supplemental cash flow disclosures:		
Interest paid, net of capitalized interest	\$ 3,701	\$ 3,314
Income taxes paid, net of refunds	8	2

NOTE 10 - COMMITMENTS AND CONTINGENCIES***Lease Commitments***

The Company has real property leases, classified as operating leases, for its corporate headquarters and bar operations, with original terms ranging from one to nine years. Generally, the leases have available renewal options which extend the terms of the underlying leases by five years for each renewal option.

The real property leases generally require the payment of fixed monthly base rent payments which may escalate over the term of the lease. The Company is also responsible for paying variable operating expenses, which may include real estate taxes, insurance, other operating expenses or percentage rent. Additionally, variable lease expenses related to certain real property leases may include escalations in rent costs that result from rent adjustments required under lease agreements whereby rental increases are based (in full or in part) on changes in the Consumer Price Index.

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

Leases, Prior to January 1, 2022

Year	Operating Leases	Capital Leases
2022	\$ 12,052	\$ 48
2023	10,863	42
2024	9,197	41
2025	7,595	41
2026	5,550	22
Thereafter	5,374	-
Total minimum lease payments	\$ 50,629	194
Less imputed interest		(32)
Present value of minimum lease payments		162
Less current portion		(35)
Long-term capital lease obligations		\$ 127

Total lease expense for the year ended December 26, 2021 was \$11,823. Lease expense related to lease agreements was recognized on a straight-line basis over the lease term.

Leases, January 1, 2022 and After

Right-of-use assets represent the Company's right to use an underlying asset for the lease term, while lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of the Company's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Company's sole discretion. The Company regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Company includes such options in the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Company uses the rate implicit in the lease, or if not readily available, the Company uses a risk-free rate based on U.S. Treasury notes or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Company's long-lived asset policy. The Company reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Company made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Company:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Company obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

- Determined whether contracts contain embedded leases; and
- Allocated consideration in the contract between lease and nonlease components.

The Company does not have any material leasing transactions with related parties.

The following table summarizes the lease right-of-use assets and lease liabilities as of December 25, 2022:

Right-of-use assets, net:	
Operating leases	\$ 39,050
Finance leases	204
	<hr/>
Total right-of-use assets, net	\$ 39,254
	<hr/> <hr/>
Lease liabilities:	
Current operating lease liabilities	\$ 11,061
Current finance lease liabilities	50
Long-term operating lease liabilities	32,729
Long-term finance lease liabilities	160
	<hr/>
Total lease liabilities	\$ 44,000
	<hr/> <hr/>

Below is a summary of expenses incurred pertaining to leases during the year ended December 25, 2022:

Finance lease expense:	
Amortization of right-of-use assets	\$ 48
Interest on lease liabilities	16
Operating lease expense	10,547
Short-term lease expense	38
Variable lease expense	1,923
	<hr/>
Total lease expense	\$ 12,572
	<hr/> <hr/>

The following table presents supplemental information related to leases:

Weighted average remaining lease term (in years):	
Operating leases	4.55
Finance leases	3.88
Weighted average discount rate:	
Operating leases	1.69%
Finance leases	7.75%

BLH TopCo, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

The table below summarizes the Company's scheduled future minimum lease payments for years ending after December 25, 2022:

Year Ending	Operating Leases	Finance Leases
December 31, 2023	\$ 11,649	\$ 64
December 29, 2024	10,580	64
December 28, 2025	9,031	64
December 27, 2026	6,951	46
December 26, 2027	4,678	5
Thereafter	2,448	-
	45,337	243
Total lease payments		
Less: present value discount	(1,547)	(33)
Total lease liabilities	43,790	210
Less: current portion	(11,061)	(50)
Long-term lease liabilities	\$ 32,729	\$ 160

The following table includes supplemental cash flow and noncash information related to the leases for the year ended December 25, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 10,919
Operating cash flows from finance leases	15
Financing cash flows from finance leases	47
Supplemental noncash information:	
Right-of-use assets obtained in exchange for lease liabilities:	
Operating leases	6,571
Finance leases	68
Right-of-use assets adjustment due to early lease termination:	
Operating leases	(199)

Franchise Agreements

The Company enters into franchise agreements that require the franchisee to remit ongoing royalty and marketing fees based on a percentage of the franchisee's sales revenue and the Company, as franchisor, to provide brand specific information including food and beverage requirements, supplier recommendations, marketing materials, operations manuals and licenses to certain franchise intellectual property.

Legal Matters

Within the ordinary course of business, the Company is subject to private lawsuits, government audits, administrative proceedings and other claims. These matters typically involve claims from guests, employees and others related to operational and employment issues common to the foodservice industry.

BLH TopCo, LLC**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

Years ended December 25, 2022 and December 26, 2021
(Dollars in thousands)

These claims may exist at any given time. The Company does not believe that any claim will have a material adverse impact on the Company's financial condition, cash flows, or results of operations.

NOTE 11 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through May 22, 2023, the date the consolidated financial statements were available to be issued.

Exhibit E-2

Corporate Guarantee

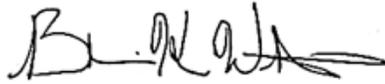
GUARANTEE OF PERFORMANCE

For value received, BLH TopCo LLC a Delaware limited liability company (the "**Guarantor**"), located at The Colonnade, 15305 Dallas Parkway – 12th Floor, Addison, Texas 75001, absolutely and unconditionally guarantees to assume the duties and obligations of BLH Restaurant Franchises LLC, located at The Colonnade, 15305 Dallas Parkway – 12th Floor, Addison, Texas 75001 (the "**Franchisor**"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its Franchise Disclosure Document issued August 22, 2024, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, which ever occurs first. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor executes this guarantee at Dallas, Texas, on August, 7, 2024.

**BLH TopCo LLC,
Guarantor**

By: _____



Name: Brian Wright

Title: CEO

Exhibit E-3

Unaudited Financial Statements

~~As of May 21, 2023~~

For the Period Ending April 28, 2024

THE FINANCIAL STATEMENTS IN THIS EXHIBIT E-3 WERE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM

BLH TopCo, LLC
Consolidated Balance Sheet (Unaudited)
For the Period Ended April 28, 2024
(in thousands)

Assets**Current Assets:**

Cash and cash equivalents	\$ 1,400
Accounts receivable	2,529
Inventories	1,762
Prepaid expenses	1,183

Total current assets 6,874

Property and equipment, net	14,057
Operating ROU asset, net	32,657
Financed ROU asset, net	195
Goodwill	13,795
Other intangible assets, net	19,805
Other non-current assets	220

Total assets \$ 87,602

Liabilities and Stockholder's Deficit**Current Liabilities:**

Accounts payable	\$ 7,552
Accrued liabilities	11,106
Short-term lease liability	11,209
Short-term finance lease liability	101
Current maturities of credit facility	56,229

Total current liabilities 86,197

Long-term credit facility, less current maturities	-
Long -term lease liabilities	27,193
Long-term financed lease liabilities	134
Other non-current liabilities	189

Total liabilities 113,713

Commitments and Contingencies**Stockholder's Deficit:**

Member's contributions	-
Additional paid-in capital	29,218
Accumulated deficit	(55,328)

Total stockholder's equity (deficit) (26,110)

Total liabilities and stockholder's deficit \$ 87,602

BLH TopCo, LLC
Consolidated Statements of Income (Unaudited)
For the Trailing Twelve Months Ended April 28, 2024
(in thousands)

	<u>Period to Date</u>	<u>Quarter to Date</u>	<u>Year to Date</u>	<u>TTM's</u>
Revenues:				
Company bar sales	\$ 10,327	\$ 10,327	\$ 40,956	\$ 136,340
Franchise royalties and fees	173	173	717	2,416
Net sales	10,500	10,500	41,673	138,755
Cost of Sales:				
Food cost	1,538	1,538	6,154	20,080
Liquor, beer, wine cost	1,042	1,042	4,206	14,014
Purchase discounts and other	146	146	583	1,929
Total cost of sales	2,727	2,727	10,943	36,023
Bar Expenses:				
Payroll and benefits	3,260	3,260	13,634	44,659
Occupancy(1)	1,158	1,158	4,835	15,290
Bar operating expenses	1,730	1,730	6,890	21,774
Total bar expenses	6,148	6,148	25,360	81,723
Marketing expenses	394	394	1,340	4,586
Franchise support costs	78	78	323	784
Company bar contribution	1,058	1,058	3,313	14,008
Franchise bar contribution	95	95	394	1,632
General and Administrative Expenses:				
Payroll and benefits	548	548	2,303	7,157
Bonus	20	20	261	24
Corporate operations	282	282	1,398	4,531
Total general and administrative expenses	849	849	3,961	11,712
EBITDA	304	304	(255)	3,927
Depreciation and amortization	760	760	3,252	10,755
Pre-opening expenses	-	-	-	-
Non-cash rent expense	(1)	(1)	(3)	(10)
Non-recurring & transaction fees	163	163	299	3,762
Operating loss	(619)	(619)	(3,803)	(10,579)
Interest expense	517	517	2,211	6,845
Income (loss) before income taxes	(1,136)	(1,136)	(6,013)	(17,424)
Income tax (benefit) expense	-	-	0	89
Net Income (loss)	\$ (1,136)	\$ (1,136)	\$ (6,013)	\$ (17,513)

(1) Reported results include ASC842 accounting treatment

EXHIBIT F
LIST OF BAR LOUIE RESTAURANTS
as of December ~~26, 2022~~ 31, 2023

EXHIBIT F-1
FRANCHISED UNITS

** Denotes a franchisee that is also currently under a Development Agreement.

Active Franchisees

Store Name	Owner	Street Address	City	State	Zip	Phone
Little Rock	Nick Siddique	11525 Cantrell Road	Little Rock	AR	72212	501-228-0444
N. Little Rock	Nick Siddique	3929 McCain Road, North	North Little Rock	AR	72116	501-228-0444
Sioux City	AJ and Sefali Nursariwala	701 Gordon Drive	Sioux City	IA	51101	712-224-7600
O'Hare	Sheila Gilani	5615 N. Cumberland Ave	Chicago	IL	60631	773-332-8029
University Village	Murad Fazal	1325 S Halsted	Chicago	IL	60607	312-733-1411
Matteson	HMIL Assoc LLC D/B/A Holiday Inn Matteson	500 Holiday Plaza Drive	Matteson	IL	60443	708-898-0124
Oakbrook	Sheila Gilani	17 W 350 22nd Street	Oakbrook Terrace	IL	60181	630-478-8040
Skokie	Sheila Gilani	5300 Touhy Avenue	Skokie	IL	60077	847-763-3056
Carmel	Frank Sweeney	111 W. Main St. Suite 14	Carmel	IN	46032	371-817-0500
Evansville	Beverly Oswald	7700 Eagle Crest Blvd	Evansville	IN	47714	812-476-7069
Granger (formally Mishawaka)	Mike Knapick	7320 Aspect Drive	Granger	IN	46530	574-277-9100
Greenwood	Frank Sweeney	1251 US 31 North, R140	Greenwood	IN	46142	317-215-5400
Royal Oak	BL Royal Oak LLC/Anthony Marougi	44375 W Twelve Mile Rd Suite G-152	Novi	MI	48377	248-951-2195
Myrtle Beach	B: Myrtle Beach LLC/Thomas Stevens	1318 Celebrity Circle Unit CS4	Myrtle Beach	SC	29577	854-854-8544

Store Name	Owner	Street Address	City	State	Zip	Phone
DFW	Paradies-DFW 2015 (F&B) LLC	2333 S International Pkwy Terminal D	DFW Airport	TX	75261	469-319-8075
Katy	230 Katy LLC/Shahid Momin	2707 Commercial Center Blvd	Katy	TX	77494	281-394-5480
Round Rock	Stonemill Foodservice LLC/Wendy McCoy	270 Bass Pro Drive	Round Rock	TX	78655	512-581-8787
South Padre Island	Perspective Hospitality	6700 Padre Boulevard	South Padre Island	TX	79597	956-433-2098
Sugarland	Shahid Momin	16089 City Walk Drive	Sugar Land	TX	77479	281-313-9002
Brookfield**	Brookfield Bar Inc./ Suresh Patel	9 N Moorland Road	Brookfield	WI	53005	262-505-6319

Franchise Agreement Signed but Outlet Not Yet Open

None.

EXHIBIT F-2

FRANCHISES THAT CLOSED IN FISCAL YEAR ~~2022~~2023

Store Name	Owner	Street Address	City	State	Zip	Phone
Merrillville	Merrillville Sports Bar LLC	8329 Georgia Street	Merrillville	IN	46410	219-793-9340
Owensboro <u>Sioux City</u>	Matthew Hayden <u>ANSL</u>	2960 Fairview <u>701 Gordon Drive</u>	Owensboro <u>Sioux City</u>	KY <u>IA</u>	42303 <u>51101</u>	270-215-7723 <u>712-224-7600</u>

EXHIBIT F-3:

**List of Affiliate-Owned Bar Louie Restaurants
(As of December ~~25, 2022~~ 31, 2023)**

Store Name	Street Address	City	State	Zip	Phone
Westgate	6770 North Sunrise Blvd, Suite G-118	Glendale	AZ	85305	(623) 522-5810
Tempe	2000 Rio Salado Parkway Suite 1220	Tempe	AZ	85281	(480) 658-1600
Downey	8860 Apollo Way, Suite 304	Downey	CA	90242	(562) 299-5360
Northridge	9301 N. Tampa Ave., Suite 218	Northridge	CA	91324	(747) 224-5900
Tustin	2467 Park Avenue	Tustin	CA	92782	(657) 206-4600
Denver	8332 Northfield Blvd	Denver	CO	80238	(303) 457-5900
Lakewood	7111 W. Alaska Drive	Lakewood	CO	80226	(720) 414-8620
Coconut Creek	4443 Lyons Road Suite D-101	Coconut Creek	FL	33073	(954) 543-5866
Orlando I-Drive (closed in 2024)	8510 International Drive	Orlando	FL	32819	(407) 553-8502
Orlando Airport	7015 South Semoran Blvd.	Orlando	FL	32822	(407) 845-7080
Plaza on University (UCF) Orlando	4100 N. Alafaya, Suite 167 & 173	Orlando	FL	32826	(407) 428-2980
Tampa	2223 N Westshore Blvd Ste B-202	Tampa	FL	33607	(813) 874-1919
Jordan Creek	7105 Mills Civic Parkway, Suite 150	West Des Moines	IA	50266	(515) 422-9640
Bolingbrook	619 E Boughton Road #A	Bolingbrook	IL	60440	(630) 410-7100
Dearborn Station	47 W Polk St	Chicago	IL	60605	(312) 347-0000
Foxboro	232 Patriot Place	Foxborough	MA	02035	(508) 623-1195
White Marsh	8133 Honeygo Boulevard, Store #8C	Baltimore	MD	21236	(410) 844-7512
Auburn Hills	4390 Baldwin Road	Auburn Hills	MI	48326	(248) 409-0087
Clinton Township	17460 Hall Rd, Suite 152	Clinton Township	MI	48038	(586) 464-3000
Dearborn	22269 Michigan Ave.	Dearborn	MI	48124	(313) 394-1000
Livonia	37716 West Six Mile Road	Livonia	MI	48152	(734) 793-0180
Novi	44375 12 Mile Rd Suite G-152	Novi	MI	48377	(248) 662-1100

Store Name	Street Address	City	State	Zip	Phone
Chesterfield	103 Chesterfield Valley Drive	Chesterfield	MO	63005	(636) 812-4280
Kirkwood	110 S Kirkwood Rd	Kirkwood	MO	63122	(314) 238-2300
St. Charles	1650 Beale Street, Suite 180	St. Charles	MO	63303	(636) 669-0400
Brier Creek	8401 Brier Creek Parkway	Raleigh	NC	27617	(919) 908-2530
East Brunswick	755 State Highway 18, Room 405A	East Brunswick	NJ	08816	(732) 353-2650
Lyndhurst	24337 Cedar Road	Lyndhurst	OH	44124	(216) 325-1120
Perrysburg	4105 Levis Commons Blvd	Perrysburg	OH	43551	(419) 874-9774
Westlake	9 Main Street	Westlake	OH	44145	(440) 788-7540
Center Valley	2960 Center Valley Parkway, Suite 700	Center Valley	PA	18034	(610) 295-1660
North Shore	330 N. Shore Dr., Bldg. 1B	Pittsburgh	PA	15212	(412) 500-7530
Myrtle Beach	1318 Celebrity Circle	Myrtle Beach	SC	29577	(854) 854-8544
Murfreesboro	2615 Medical Center Parkway, Ste 2395	Murfreesboro	TN	37129	(615) 410-4120
Bellevue	8119 Sawyer Brown Road, Suite 101	Nashville	TN	37221	(615) 307-8980
Nashville	314 11th Avenue South	Nashville	TN	37203	(615) 457-1632
Allen	190 E. Stacy Rd., Suite 1000	Allen	TX	75002	(469) 709-2050
South Arlington	4001 Bagpiper Way	Arlington	TX	76018	(817) 617-4300
Park Lane	8166 Park Lane, Suite C310	Dallas	TX	75231	(469) 248-1760
Baybrook	700 Baybrook Mall, Ste G 110	Friendswood	TX	77546	(281) 280-0024
Music Factory	360 W. Las Colinas Blvd. Suite 100	Irving	TX	75039	(469) 217-8370
La Cantera	15900 La Cantera Parkway, Suite 22100	San Antonio	TX	78256	(210) 901-6280
Woodlands	24 Waterway Avenue	The Woodlands	TX	77380	(281) 719-1900
Ashburn	20586 Easthampton Plaza	Ashburn	VA	20147	(571) 465-2335
Gainesville	14081 Promenade Commons Street	Gainesville	VA	20155	(571) 222-2850
Hampton	3530 Von Schilling Drive	Hampton	VA	23666	(757) 951-1080
Herndon	13195 Parcher Ave	Herndon	VA	20170	(703) 667-9001
Stonebridge	15001 Potomac Town Place, Suite 100	Woodbridge	VA	22191	(571) 298-8610

EXHIBIT G GENERAL RELEASE LANGUAGE

The following is our current general release language that we expect to include in a release that a franchisee and/or transferor may sign as part of a renewal or an approved transfer. We have the right to periodically modify the release.

Franchisee, its officers and directors, its owners, and their respective agents, heirs, administrators, successors, and assigns (the "**Franchisee Group**"), hereby forever release and discharge, and forever hold harmless BL Restaurant Franchises LLC, its current and former affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, agents, representatives, heirs, administrators, successors, and assigns (the "**Franchisor Group**"), from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises, and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which the Franchisee Group and/or its owners had, have, or may have against any member of the Franchisor Group, including, without limitation, any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Franchise Agreement, the relationship created by the Franchise Agreement, or the development, ownership, or operation of the Franchised Business.

Each party represents and warrants to the others, and agrees, that it may later learn of new or different facts, but that still, it is that party's intention to fully, finally, and forever release all of the Demands that are released above. This includes the parties' waiver of state laws that might apply to limit a release (such as Calif. Civil Code Section 1542, which states that "[a] general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party"). The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense, or damages (actual or consequential) including, without limitation, reasonable attorneys', accountants', and expert witness fees, costs of investigation and proof of facts, court costs, and other litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor, or other third party now has, ever had, or hereafter would or could have, as a result of, arising from, or under the Franchise Agreement or the Franchised Business. The Franchisee Group and its owners represent and warrant that they have not asserted (nor made an assignment or any other transfer of any interest in) the claims, causes of action, suits, debts, agreements, or promises described above.

**EXHIBIT H
STATE ADDENDA**

**State-Specific Disclosures
And
State-Specific Amendments to Franchise Agreements**

California Disclosure Addendum

In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516, and the California Franchise Relations Act, Cal. Bus. & Prof. Code §§ 20000-20043, the Disclosure Document for BLH Restaurant Franchises LLC in connection with the offer and sale of franchises for use in the State of California is amended to include the following:

1. Our website, [www. www.barlouie.com](http://www.barlouie.com), has not been reviewed or approved by the California Dep't of Financial Protection and Innovation. Any complaints concerning the content of the website may be directed to the California Dep't of Financial Protection and Innovation at www.dfpi.ca.gov.
2. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.
3. SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.
4. YOU MUST SIGN A GENERAL RELEASE IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE § 31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE §§ 31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE § 20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§ 20000 THROUGH 20043).
5. In Item 3, "Litigation," is amended by adding the following paragraphs:

Pursuant to California law, this Item does not include any information regarding the arrest of any person(s) that did not result in a conviction or plea of nolo contendere.

Neither we, nor any person identified in Item 2 above, is subject to any currently effective order of any national securities association or national securities exchange (as defined in the Securities and Exchange Act of 1934, 15 U.S.C. § 78a, et seq.) suspending or expelling such person from membership in such association or exchange.
6. Item 5, "Initial Fees" is amended by adding the following subsection to the end of Item 5:

Fee Deferral Condition

The Department of Financial Protection and Innovation ("Department") has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner of the Department has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a Development Agreement, the payment of the development and initial fees attributable to a specific unit in your Development Schedule is deferred until that unit is open.

7. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," is amended by adding the following paragraph at the conclusion of the Item:

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

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

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

The Franchise Agreement requires application of the laws of Texas. This provision may not be enforceable under California law.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

You must sign a general release if you renew or transfer your franchise. California Corporations Code § 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code § § 31000 through 31516). Business and Professions Code § 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code § § 20000 through 20043).

8. The Franchise Disclosure Document is amended to include the following:

Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

California's Franchise Investment Law (California Corporations Code § § 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

9. Item 19, "Financial Performance Representations," is amended by adding the following paragraph:

The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the disclosure document, may be one source of this information.

10. This addendum will apply only if the California Franchise Investment Law or the California Franchise Relations Act would apply on its own without referring to this addendum.

Hawaii Disclosure Addendum

The following paragraphs are to be added in the state cover page:

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

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

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

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

1. Item 20 "List of Outlets," shall be amended by the addition of the following paragraph:

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

2. This addendum will apply only if the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., would apply on its own without referring to this addendum.

Illinois Disclosure Addendum

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44 the Disclosure Document for BLH Restaurant Franchises LLC for use in the State of Illinois is amended as follows:

1. Item 5, "Initial Fees" is amended by adding the following:

We will defer payment of the initial franchise fee and other initial payments owed by franchisees to us until we have completed our pre-opening obligations under the franchise agreement and the franchisee has commenced doing business. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

2. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," is amended by adding the following:

Illinois law shall apply to and govern the Franchise Agreement(s).

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

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

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

3. For info about obtaining a liquor license in Illinois, see:
<https://www.illinois.gov/ilcc/Pages/Forms-and-Applications.aspx>

For info about obtaining TIPS certification in Illinois, see:
<https://www.tipscertified.com/tips-state-pages/illinois/>

See: the Liquor Control Act of 1934, 235 ILCS 5/ (West 2018) for Illinois Dram Shop laws.

4. This addendum will apply only if the Illinois Franchise Disclosure Act would apply on its own without referring to this addendum.

Maryland Disclosure Addendum

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Disclosure Document for BLH Restaurant Franchises LLC for use in the State of Maryland is amended as follows:

1. Item 5, "Initial Fees" shall be amended by the addition of the following:

We will defer payment of the initial franchise fee and any other initial payments owed by franchisees to us until the franchised business opens and we have completed our pre-opening obligations under the franchise agreement and the development agreement.

2. Item 17, "Renewal, Termination, Transfer, and Dispute Resolution," is amended by adding the following language:

The general releases required as a condition of renewal, sale, and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

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

The Franchisee may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. § 101 et seq.).

3. This addendum will apply only if the Maryland Franchise Registration and Disclosure Law would apply on its own without referring to this addendum.

Michigan Disclosure Addendum

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

(A) A PROHIBITION ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.

(B) A REQUIREMENT THAT A FRANCHISEE ASSENT TO A RELEASE, ASSIGNMENT, NOVATION, WAIVER, OR ESTOPPEL WHICH DEPRIVES A FRANCHISEE OF RIGHTS AND PROTECTIONS PROVIDED IN THIS ACT. THIS SHALL NOT PRECLUDE A FRANCHISEE, AFTER ENTERING INTO A FRANCHISE AGREEMENT, FROM SETTLING ANY AND ALL CLAIMS.

(C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE PRIOR TO THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSE SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISION OF THE FRANCHISE AGREEMENT AND TO CURE SUCH FAILURE AFTER BEING GIVEN WRITTEN NOTICE THEREOF AND A REASONABLE OPPORTUNITY, WHICH IN NO EVENT NEED BE MORE THAN 30 DAYS, TO CURE SUCH FAILURE.

(D) A PROVISION THAT PERMITS A FRANCHISOR TO REFUSE TO RENEW A FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER MEANS FOR THE FAIR MARKET VALUE, AT THE TIME OF EXPIRATION, OF THE FRANCHISEE'S INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISE BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN 5 YEARS; AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK, SERVICE MARK, TRADE NAME, LOGOTYPE, ADVERTISING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST 6 MONTHS ADVANCE NOTICE OF FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.

(E) A PROVISION THAT PERMITS THE FRANCHISOR TO REFUSE TO RENEW A FRANCHISE ON TERMS GENERALLY AVAILABLE TO OTHER FRANCHISEES OF THE SAME CLASS OR TYPE UNDER SIMILAR CIRCUMSTANCES. THIS SECTION DOES NOT REQUIRE A RENEWAL PROVISION.

(F) A PROVISION REQUIRING THAT ARBITRATION OR LITIGATION BE CONDUCTED OUTSIDE THIS STATE.* THIS SHALL NOT PRECLUDE THE FRANCHISEE FROM ENTERING INTO AN AGREEMENT, AT THE TIME OF ARBITRATION, TO CONDUCT ARBITRATION AT A LOCATION OUTSIDE THIS STATE. (* - DESPITE THIS PROVISION OF THE STATE LAW, WE INTEND TO SEEK ENFORCEMENT OF THE ARBITRATION CLAUSE, AS PROVIDED IN THE FRANCHISE AGREEMENT, TO THE FULLEST EXTENT PERMITTED UNDER THE FEDERAL ARBITRATION ACT.)

(G) A PROVISION WHICH PERMITS A FRANCHISOR TO REFUSE TO PERMIT A TRANSFER OF OWNERSHIP OF A FRANCHISE, EXCEPT FOR GOOD CAUSE. THIS SUBDIVISION DOES NOT PREVENT A FRANCHISOR FROM EXERCISING A RIGHT OF FIRST

REFUSAL TO PURCHASE THE FRANCHISE. GOOD CAUSE SHALL INCLUDE, BUT IS NOT LIMITED TO:

(i) THE FAILURE OF THE PROPOSED FRANCHISEE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.

(ii) THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.

(iii) THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.

(iv) THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.

(H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THOSE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).

(I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.

* * * *

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

* * * *

IF THE FRANCHISOR'S MOST RECENT FINANCIAL STATEMENTS ARE UNAUDITED AND SHOW A NET WORTH OF LESS THAN \$100,000, THE FRANCHISOR MUST, AT THE REQUEST OF THE FRANCHISEE, ARRANGE FOR THE ESCROW OF INITIAL INVESTMENT AND OTHER FUNDS PAID BY THE FRANCHISEE UNTIL THE OBLIGATIONS TO PROVIDE REAL ESTATE, IMPROVEMENTS, EQUIPMENT, INVENTORY, TRAINING, OR OTHER ITEMS INCLUDED IN THE FRANCHISE OFFERING ARE FULFILLED. AT THE OPTION OF THE FRANCHISOR, A SURETY BOND MAY BE PROVIDED IN PLACE OF ESCROW.

* * * *

THE NAME AND ADDRESS OF THE FRANCHISOR'S AGENT IN THIS STATE AUTHORIZED TO RECEIVE SERVICE OF PROCESS IS: DEPT. OF ENERGY, LABOR, &

ECONOMIC GROWTH, CORPORATIONS DIVISION, P.O. BOX 30054, LANSING, MICHIGAN 48909; 7150 HARRIS DRIVE, LANSING, MICHIGAN 48909.

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:

DEPARTMENT OF THE ATTORNEY GENERAL'S OFFICE
CONSUMER PROTECTION DIVISION
ATTN: FRANCHISE SECTION
525 W. OTTAWA ST., FIRST FLOOR
LANSING, MICHIGAN 48913
(517) 373-7117

THIS ADDENDUM WILL APPLY ONLY IF THE MICHIGAN FRANCHISE INVESTMENT LAW WOULD APPLY ON ITS OWN WITHOUT REFERRING TO THIS ADDENDUM.

Minnesota Disclosure Addendum

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the Disclosure Document for BLH Restaurant Franchises LLC for use in the State of Minnesota is amended to include the following:

Item 5, “Initial Fees” and Item 7, “Estimated Initial Investment” are amended by adding the following:

We will defer payment of the initial franchise fees until the franchised business opens.

Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside 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 Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases): (1) that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the franchise agreement; and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

The franchisor will protect the franchisee’s rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols, or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.

Minnesota considers it unfair to not protect the franchisee’s rights to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

This addendum will apply only if the Minnesota Franchises Law would apply on its own without referring to this addendum.

New York Disclosure Addendum

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NY 10005.

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

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

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

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

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

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

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Except as noted above, neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

44. Item 5, "Initial Fees" shall be amended by the addition of the following:

We will defer payment of the initial franchise fee and any other initial payments owed by franchisees to us until the franchised business opens and we have completed our pre-opening obligations under the franchise agreement and the development agreement.

5. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

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

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

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

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

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

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

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

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

910. This addendum will apply only if the New York Franchise Law (N.Y. General Business Law, Article 33) would apply on its own without referring to this addendum.

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STATEMENT OF DISCLOSURE DOCUMENT ACCURACY

THE FRANCHISOR REPRESENTS THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

North Dakota Disclosure Addendum

In recognition of the requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code, §§ 51-19-01 through 51-19-17, and the policies of the office of the State of North Dakota Securities Commission, the Disclosure Document for BLH Restaurant Franchises LLC shall be amended by the addition of the following language:

1. Item 5, "Initial Fees" shall be amended by the addition of the following:

The North Dakota Securities Department has determined that adequate financial resources may not be available to the franchisor for the performance of the franchisor's initial obligations to you, and has required the franchisor to assure financial capability. As a result, the franchisor has posted a surety bond in the amount of \$25,000 with the North Dakota Securities Department.

2. The North Dakota Securities Commissioner has held the following to be unfair, unjust, or inequitable to North Dakota franchisees (N.D. Cent. Code Section 51-19-09):

- A. Restrictive Covenants: Franchise disclosure documents which disclose the existence of covenants restricting competition contrary to N.D. Century Code Section 9-08-06, without further disclosing that such covenants will be subject to this statute.
- B. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business.
- C. Restriction on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
- D. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
- E. Applicable Laws: Franchise agreements which specify that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.
- F. Waiver of Trial by Jury: Requiring North Dakota franchisees to consent to the waiver of a trial by jury.
- G. Waiver of Exemplary and Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.
- H. General Release: Requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.
- I. Limitation of Claims: Requiring that North Dakota franchisees to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
- J. Enforcement of Agreement: Requiring that North Dakota franchisees to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

3. This addendum will apply only if the North Dakota Franchise Investment Law (N.D. Cent. Code, §§ 51-19-1 through 51-19-17) would apply on its own without referring to this addendum.

Rhode Island Disclosure Addendum

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34 the Disclosure Document for BLH Restaurant Franchises LLC for use in the State of Rhode Island is amended to include the following:

1. Item 17, “Renewal, Termination, Transfer and Dispute Resolution,” is amended by adding the following:

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

2. This addendum will apply only if the Rhode Island Franchise Investment Act, R.I. Gen. L. §§ 1928.1-1 through 19-28.1-34, would apply on its own without referring to this addendum.

South Dakota Disclosure Addendum

In recognition of the requirements of the South Dakota Codified Laws Section 37-5B-5, the Franchise Disclosure Document for BLH Restaurant Franchises LLC [for use in the State of South Dakota](#) is amended as follows:

1. Item 5, "Initial Fees" shall be amended by the addition of the following:

The South Dakota Securities Regulation Office has required a financial assurance based on the franchisor's financial statements. Therefore, all initial fees and payments owed by franchisees in South Dakota will be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, payment of the Area Development Fee for developers in South Dakota will be due to the franchisor, on a pro-rata basis, upon the franchisor's completion of its pre-opening obligations for each franchise opened under the Development Agreement.

Virginia Disclosure Addendum

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, Item 17 of the Franchise Disclosure Document of BLH Restaurant Franchises LLC [for use in Virginia](#) is amended as follows:

1. Item 5, "Initial Fees" shall be amended by the addition of the following:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

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

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

3. This addendum will apply only if the Virginia Retail Franchising Act would apply on its own without referring to this addendum.

Washington Disclosure Addendum

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180, the Disclosure Document for BLH Restaurant Franchises LLC in connection with the offer and sale of franchises in the State of Washington is amended to include the following:

1. Item 5, "Initial Fees" shall be amended by the addition of the following:

We will defer payment of the initial franchise fee and any other initial payments owed by franchisees to us until the franchised business opens and we have completed our pre-opening obligations under the franchise agreement and the development agreement.

~~4.2~~ Item 17(d) of ~~BRCC's~~ the Franchise Disclosure Document is amended by adding the following:

Franchisees may terminate the Franchise Agreement under any grounds permitted by law.

~~2.3~~ The parties further agree as follows:

- a. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
- b. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
- c. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
- d. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
- e. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
- f. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted

- annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
- g. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.
 - h. The undersigned does hereby acknowledge receipt of this addendum.
 - i. This amendment will apply only if the Washington Franchise Investment Protection Act, Wash. Rev. Code Chapter 19.100, would apply on its own without referring to this amendment.

California Amendment to the Franchise Agreement

In recognition of the requirements of the California Franchise Investment Law, the parties to the attached BLH Restaurant Franchises LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 4.1 of the Agreement is amended by adding the following:

The Department of Financial Protection and Innovation ("Department") has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner of the Department has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a Development Agreement, the payment of the development and initial fees attributable to a specific unit in your Development Schedule is deferred until that unit is open.

2. This amendment will apply only if the California Franchise Investment Law would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this California Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

BLH Restaurant Franchises LLC
Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

California Amendment to the Development Agreement

In recognition of the requirements of the California Franchise Investment Law, the parties to the attached BLH Restaurant Franchises LLC Development Agreement (the "Agreement") agree as follows:

- 1. Section 4.1 of the Agreement is amended by adding the following:

The Department of Financial Protection and Innovation ("Department") has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner of the Department has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a Development Agreement, the payment of the development and initial fees attributable to a specific unit in your Development Schedule is deferred until that unit is open.

- 2. This amendment will apply only if the California Franchise Investment Law would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this California Amendment to the Development Agreement on the same date as the Development Agreement was executed.

BLH Restaurant Franchises LLC
Franchisor

Developer Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Illinois Amendment to the Franchise Agreement

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44, the parties to the attached BLH Restaurant Franchises LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 2 of the Agreement, under the heading "Term and Renewal," is amended by adding the following new paragraph 2.3:

2.3 If any of the provisions of this Section 2 are inconsistent with Section 20 of the Illinois Franchise Disclosure Act, the provisions of the Act will apply. If we refuse to renew this Agreement, we will compensate you if (and to the extent) such compensation is required under Section 20 of the Illinois Franchise Disclosure Act.

2. Section 4.1 of the Agreement is amended by adding the following:

Notwithstanding the foregoing, we will defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement and franchisee has commenced doing business. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

3. Section 17 of the Agreement, under the heading "Default and Termination," is amended by adding the following new paragraph 17.8:

17.8 If any of the provisions of this Section 17 concerning termination are inconsistent with Section 19 of the Illinois Franchise Disclosure Act, then said Illinois law will apply.

4. Section 27.7 of the Agreement, under the subheading "Must Bring Claims within One Year," is amended by adding the following at the end of the paragraph:

Notwithstanding the provisions of Section 27.7, any claims arising under the Illinois Franchise Disclosure Act (the "Act") must be brought before the earlier to occur of: the expiration of 3 years after the act or transaction constituting the violation upon which the claim is based; the expiration of one year after the you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by the Act; or 90 days after delivery to you of a written notice disclosing the violation. No cause of action barred under existing law on the effective date of the Act will be revived by the Act. Every cause of action under the Act survives the death of any person who might have been a plaintiff or defendant.

5. Section 27 of the Agreement, under the heading "Applicable Law and Dispute Resolution," is amended by adding the following new Section 27.10:

27.10 Nothing contained in this Section 27 will constitute a condition, stipulation, or provision purporting to bind any Illinois Franchisee to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other Illinois law (as long as the jurisdictional requirements of the Illinois Franchise Disclosure Act are met), including, without limiting the provisions of Section 705/41 of the Illinois Franchise Disclosure Act.

6. For info about obtaining a liquor license in Illinois, see:
<https://www.illinois.gov/ilcc/Pages/Forms-and-Applications.aspx>

For info about obtaining TIPS certification in Illinois, see:
<https://www.tipscertified.com/tips-state-pages/illinois/>

See: the Liquor Control Act of 1934, 235 ILCS 5/ (West 2018) for Illinois Dram Shop laws.

7. This amendment will apply only if the Illinois Franchise Disclosure Act would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties have signed and delivered this Illinois Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

BLH Restaurant Franchises LLC
Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Illinois Amendment to the Development Agreement

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44, the parties to the attached BLH Restaurant Franchises LLC Development Agreement (the “Agreement”) agree as follows:

1. Section 4.1 of the Agreement is amended by adding the following:

Notwithstanding the foregoing, payment of all initial fees for this Agreement are postponed until our initial obligations to you are complete and the first Restaurant developed under this Agreement is open for business. The Illinois Attorney General’s Office imposed this deferral requirement due to Franchisor’s financial condition.

2. Section 11.4 and Section 13 of the Agreement, under the heading “Default and Termination,” is amended by adding the following new Section 13.3:

13.3 If any of the provisions of Sections 11.4 and 13 of this Agreement are inconsistent with Section 19 of the Illinois Franchise Disclosure Act, then said Illinois law will apply.

3. Section 11.13 of the Agreement, under the subheading “Must Bring Claims within One Year,” is amended by adding the following language at the end of the paragraph:

Notwithstanding the provisions of this Section, any claims arising under the Illinois Franchise Disclosure Act (the “Act”) must be brought before the earlier to occur of: the expiration of 3 years after the act or transaction constituting the violation upon which the claim is based; the expiration of one year after the you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by the Act; or 90 days after delivery to you of a written notice disclosing the violation. No cause of action barred under existing law on the effective date of the Act will be revived by the Act. Every cause of action under the Act survives the death of any person who might have been a plaintiff or defendant.

4. Sections 11.13 of the Agreement, under the heading “Applicable Law and Dispute Resolution,” is amended by adding the following at the end of Section 11.13:

Nothing contained in this Agreement will constitute a condition, stipulation, or provision purporting to bind any Illinois Franchisee to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other Illinois law (as long as the jurisdictional requirements of the Illinois Franchise Disclosure Act are met), including, without limiting the provisions of Section 705/41 of the Illinois Franchise Disclosure Act.

5. For info about obtaining a liquor license in Illinois, see:
<https://www.illinois.gov/ilcc/Pages/Forms-and-Applications.aspx>

For info about obtaining TIPS certification in Illinois, see:
<https://www.tipscertified.com/tips-state-pages/illinois/>

See: the Liquor Control Act of 1934, 235 ILCS 5/ (West 2018) for Illinois Dram Shop laws.

6. This amendment will apply only if the Illinois Franchise Disclosure Act would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties have signed and delivered this Illinois Amendment to the Development Agreement on the same date as the Development Agreement was signed.

BLH Restaurant Franchises LLC
Franchisor

Developer Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Maryland Amendment to the Franchise Agreement

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached BLH Restaurant Franchises LLC Franchise Agreement (the "Agreement") agree as follows:

1. Sections 2.2.7 and 16.5.1 of the Agreement are amended by adding the following:

The general releases required as a condition of renewal or sale, and as a condition of assignment or transfer, will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

~~22.~~ 22. Section 4.1 of the Agreement is amended by adding the following:

We will defer payment of the initial franchise fee and any other initial payments owed by franchisees to us until the franchised business opens and we have completed our pre-opening obligations under the franchise agreement.

~~3.~~ 3. Section 27 of the Agreement is amended by adding the following:

You may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

~~34.~~ 34. Sections 27.7 of the Agreement is amended by adding the following:

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

~~45.~~ 45. Sections 25 and 28 of the Agreement are amended by adding the following:

All acknowledgments or representations requiring prospective Franchisees to assent to a release, estoppel or waiver of liability are not intended to nor will they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

~~56.~~ 56. This amendment will apply only if the Maryland Franchise Registration and Disclosure Law would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

BLH Restaurant Franchises LLC
Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Maryland Amendment to the Development Agreement

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached BLH Restaurant Franchises LLC Development Agreement (the "Agreement") agree as follows:

~~1~~1. Section 4.1 of the Agreement is amended by adding the following:

We will defer payment of the initial franchise fee and any other initial payments owed by franchisees to us until the franchised business opens and we have completed our pre-opening obligations under the development agreement.

~~2~~2. Section 11.3 of the Agreement is amended by adding the following:

The general releases required as a condition of assignment or transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

~~23~~23. Section 11.13 of the Agreement is amended by adding the following:

You may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

~~34~~34. Sections 11.14 and 14 of the Agreement are amended by the following:

All acknowledgments or representations requiring prospective Franchisees to assent to a release, estoppel or waiver of liability are not intended to nor will they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

~~45~~45. This amendment will apply only if the Maryland Franchise Registration and Disclosure Law would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland Amendment to the Development Agreement on the same date as the Development Agreement was executed.

BLH Restaurant Franchises LLC
Franchisor

Developer Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Minnesota Amendment to the Franchise Agreement

In recognition of the requirements of the Minnesota Franchise Act, Minn. Stat. § 80C., and of the Rules and Regulations promulgated thereunder by the Commissioner of Commerce, the parties to the attached BLH Restaurant Franchises LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 4.1 of the Agreement is amended by adding the following:

Notwithstanding the foregoing, we will defer payment of the initial franchise fees until the franchised business opens.

2. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80.01 et seq., and of the Rules and Regulations promulgated under the Act (collectively the "Franchise Act"). To the extent that the Agreement and Franchise Disclosure Document contain provisions that are inconsistent with the following, such provisions are hereby amended:

- a. Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside 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 Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

- b. With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases): (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement; and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

- c. The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols, or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.

- d. Minnesota considers it unfair to not protect the franchisee's rights to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

- e. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

- f. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

- g. The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

3. This amendment will apply only if the Minnesota Franchise Act would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Minnesota Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

BLH Restaurant Franchises LLC
Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Minnesota Amendment to the Development Agreement

In recognition of the requirements of the Minnesota Franchise Act, Minn. Stat. § 80C., and of the Rules and Regulations promulgated thereunder by the Commissioner of Commerce, the parties to the attached BLH Restaurant Franchises LLC Development Agreement (the "Agreement") agree as follows:

1. Section 4.1 of the Agreement is amended by adding the following:

Notwithstanding the foregoing, we will defer payment of the initial franchise fees until the first Restaurant developed under this Agreement is open for business.

2. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80.01 et seq., and the Rules and Regulations promulgated under the Act (collectively the "Franchise Act"). To the extent that the Agreement and Franchise Disclosure Document contain provisions that are inconsistent with the following, such provisions are hereby amended:

- a. Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside 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 Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

- b. With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases): (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement; and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

- c. The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols, or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.

- d. Minnesota considers it unfair to not protect the franchisee's rights to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

- e. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

- f. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

- g. The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

3. This amendment will apply only if the Minnesota Franchise Act would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Minnesota Amendment to the Development Agreement on the same date as the Development Agreement was executed.

BLH Restaurant Franchises LLC
Franchisor

Developer Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

New York Amendment to the Franchise Agreement

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.2 through 201.16), the parties to the attached BLH Restaurant Franchises LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 2.2.7 of the Agreement, under the heading "Term and Renewal," is amended by adding the following:

Nothing in this Section to the contrary, you and we agree that all rights enjoyed by you and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680 695 and the regulations issued thereunder, will remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied.

~~2~~2. Section 4.1 of the Agreement is amended by adding the following:

We will defer payment of the initial franchise fee and any other initial payments owed by franchisees to us until the franchised business opens and we have completed our pre-opening obligations under the franchise agreement.

3. Section 16.5.1 of the Agreement, under the heading "Transfer of Interest", is amended by adding the following:

Nothing in this Section to the contrary, you and we agree that all rights enjoyed by you and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680 695 and the regulations issued thereunder, will remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied.

~~3~~4. Section 27.5 of the Agreement, under the heading "Injunctions," is deleted in its entirety, and will have no force or effect; and the following paragraph is substituted in its place:

Nothing in this Agreement bars our right to seek injunctive or declaratory relief against a breach or threatened breach of this Agreement that will cause us loss or damage under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

45. Section 27 of the Agreement, under the heading "Applicable Law and Dispute Resolution," is amended by adding the following language:

Nothing in this Agreement should be considered a waiver of any right conferred upon Franchisee by New York General Business Law, Sections 680-695.

~~5~~6. This amendment will apply only if the New York Franchise Law (N.Y. Gen. Bus. Law Article 33) would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

BLH Restaurant Franchises LLC
Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

|

New York Amendment to the Development Agreement

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.2 through 201.16), the parties to the attached BLH Restaurant Franchises LLC Development Agreement (the "Agreement") agree as follows:

~~1.~~ 1. [Section 4.1 of the Agreement is amended by adding the following:](#)

[We will defer payment of the initial franchise fee and any other initial payments owed by franchisees to us until the franchised business opens and we have completed our pre-opening obligations under the development agreement.](#)

2. Sections 11.3 and 12 shall be amended by the addition of the following:

Nothing in this Agreement to the contrary, you and we agree that all rights enjoyed by you and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680 695 and the regulations issued thereunder, will remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied.

~~23.~~ 23. Section 11.13 of the Agreement (which incorporates by reference Section 27.5 of the Franchise Agreement) shall be amended by inserting the following:

Nothing in this Agreement bars our right to seek injunctive or declaratory relief against a breach or threatened breach of this Agreement that will cause us loss or damage under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

~~34.~~ 34. Section 11.13 of the Agreement shall be amended by adding the following language:

Nothing in this Agreement should be considered a waiver of any right conferred upon Franchisee by New York General Business Law, Sections 680-695.

45. This amendment will apply only if the New York Franchise Law (N.Y. Gen. Bus. Law Article 33) would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties have signed and delivered this New York Amendment to the Development Agreement on the same date as the Development Agreement was executed.

BLH Restaurant Franchises LLC
Franchisor

Developer Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

North Dakota Amendment to the Franchise Agreement

In recognition of the requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code, §§ 51-19-01 through 51-19-17, and the policies of the office of the State of North Dakota Securities Commission, the Franchise Agreement for BLH Restaurant Franchises LLC shall be amended as follows:

1. The North Dakota Securities Department has determined that adequate financial resources may not be available to the franchisor for the performance of the franchisor's initial obligations to you, and has required the franchisor to assure financial capability. As a result, the franchisor has posted a surety bond in the amount of \$25,000 with the North Dakota Securities Department.

2. The Franchise Agreement shall be amended by the addition of the following Section 29:

29. The parties acknowledge and agree that they have been advised that the North Dakota Securities Commissioner has determined the following agreement provisions are unfair, unjust or inequitable to North Dakota franchisees:

- A. Restrictive Covenants: Any provision which discloses the existence of covenants restricting competition contrary to N.D. Cent. Code Section 9-08-06 without further disclosing that such covenants will be subject to this statute.
- B. Situs of Arbitration Proceedings: Any provision requiring that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business.
- C. Restriction on Forum: Any provision requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
- D. Liquidated Damages and Termination Penalties: Any provision requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
- E. Applicable Laws: Any provision which specifies that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.
- F. Waiver of Trial by Jury: Any provision requiring North Dakota franchisees to consent to the waiver of a trial by jury.
- G. Waiver of Exemplary and Punitive Damages: Any provision requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.
- H. General Release: Any provision requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.
- I. Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
- J. Enforcement of Agreement: Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

3. This amendment will apply only if the North Dakota Franchise Investment Law, N.D. Cent. Code, §§ 51 19 01 through 51 19 17, would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties have signed and delivered this North Dakota Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

BLH Restaurant Franchises LLC
Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

North Dakota Amendment to the Development Agreement

In recognition of the requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code, §§ 51-19-01 through 51-19-17, and the policies of the office of the State of North Dakota Securities Commission, the Development Agreement for BLH Restaurant Franchises LLC shall be amended as follows:

1. The North Dakota Securities Department has determined that adequate financial resources may not be available to the franchisor for the performance of the franchisor's initial obligations to you, and has required the franchisor to assure financial capability. As a result, the franchisor has posted a surety bond in the amount of \$25,000 with the North Dakota Securities Department.

2. The Development Agreement shall be amended by the addition of the following Section 18:

18. The parties acknowledge and agree that they have been advised that the North Dakota Securities Commissioner has determined the following agreement provisions are unfair, unjust or inequitable to North Dakota franchisees:

- A. Restrictive Covenants: Any provision which discloses the existence of covenants restricting competition contrary to N.D. Cent. Code Section 9-08-06 without further disclosing that such covenants will be subject to this statute.
- B. Situs of Arbitration Proceedings: Any provision requiring that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business.
- C. Restriction on Forum: Any provision requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
- D. Liquidated Damages and Termination Penalties: Any provision requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
- E. Applicable Laws: Any provision which specifies that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.
- F. Waiver of Trial by Jury: Any provision requiring North Dakota franchisees to consent to the waiver of a trial by jury.
- G. Waiver of Exemplary and Punitive Damages: Any provision requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.
- H. General Release: Any provision requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.
- I. Limitation of Claims: Development Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
- J. Enforcement of Agreement: Development Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

3. This amendment will apply only if the North Dakota Franchise Investment Law, N.D. Cent. Code, §§ 51 19 01 through 51 19 17, would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties have signed and delivered this North Dakota Amendment to the Development Agreement on the same date as the Development Agreement was executed.

BLH Restaurant Franchises LLC
Franchisor

Developer Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Rhode Island Amendment to the Franchise Agreement

In recognition of the requirements of the Rhode Island Franchise Investment Act, R.I. Gen. Laws §§ 19-28.1-1 through 19-28.1-34, the parties to the attached BLH Restaurant Franchises LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 27 of the Agreement, under the heading "Applicable Law and Dispute Resolution," will be amended by the addition of the following:

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

2. This amendment will apply only if the Rhode Island Franchise Investment Act, R.I. Gen. Laws §§ 19-28.1-1 through 19-28.1-34, would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties have signed and delivered this Rhode Island amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

BLH Restaurant Franchises LLC
Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Rhode Island Amendment to the Development Agreement

In recognition of the requirements of the Rhode Island Franchise Investment Act, R.I. Gen. Laws §§ 19-28.1-1 through 19-28.1-34, the parties to the attached BLH Restaurant Franchises LLC Development Agreement (the "Agreement") agree as follows:

1. Section 11.13 of the Agreement, under the heading "Applicable Law and Dispute Resolution," will be amended by the addition of the following:

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

2. This amendment will apply only if the Rhode Island Franchise Investment Act, R.I. Gen. Laws §§ 19-28.1-1 through 19-28.1-34, would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties have signed and delivered this Rhode Island amendment to the Development Agreement on the same date as the Development Agreement was executed.

BLH Restaurant Franchises LLC
Franchisor

Developer Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

South Dakota Amendment to the Franchise Agreement

In recognition of the requirements of the South Dakota Codified Laws 37-5B-5, the parties to the attached BLH Restaurant Franchises LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 4.1 of the Agreement, under the subheading "Initial Franchise Fee," will be amended by the addition of the following:

The South Dakota Securities Regulation Office has required us to defer payment of the initial franchise fee and other initial payments owed by a franchisee in South Dakota to us until we have completed our pre-opening obligations under the Agreement, based on our financial condition.

IN WITNESS WHEREOF, the parties have signed and delivered this South Dakota amendment on the same date as the Agreement was executed.

BLH Restaurant Franchises LLC
Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

South Dakota Amendment to the Development Agreement

In recognition of the requirements of the South Dakota Codified Laws Section 37-5B-5, the parties to the attached BLH Restaurant Franchises LLC Development Agreement (the "Agreement") agree as follows

1. Section 4 of the Agreement, under the subheading "Fees and Payments," will be amended by the addition of the following:

The South Dakota Securities Regulation Office has required us to defer payment of the area development fee due from a Developer in South Dakota under the Agreement (as well as the initial franchise fee and other initial payments owed to us by a Franchisee in South Dakota) until we have completed our pre-opening obligations under each franchise agreement, based upon our financial condition. Payment of the area development fee will be due to us, on a pro-rata basis, when we complete our pre-opening obligations for each franchise in South Dakota to be opened under the Agreement.

IN WITNESS WHEREOF, the parties have signed and delivered this South Dakota amendment on the same date as the Agreement was executed.

BLH Restaurant Franchises LLC
Franchisor

Developer Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Virginia Amendment to the Franchise Agreement

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the parties to the attached BLH Restaurant Franchises LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 4.1 of the Agreement, under the subheading "Initial Franchise Fee," will be amended by the addition of the following:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

2. This amendment will apply only if the Virginia Retail Franchising Act would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties have signed and delivered this Virginia amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

BLH Restaurant Franchises LLC
Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Virginia Amendment to the Development Agreement

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the parties to the attached BLH Restaurant Franchises LLC Development Agreement (the "Agreement") agree as follows:

1. Section 4 of the Agreement, under the subheading "Fees and Payments," will be amended by the addition of the following:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the development fee owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the development agreement.

2. This amendment will apply only if the Virginia Retail Franchising Act would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties have signed and delivered this Virginia amendment to the Development Agreement on the same date as the Development Agreement was executed.

BLH Restaurant Franchises LLC
Franchisor

Developer Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Washington Amendment to the Franchise Agreement

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180, the Disclosure Document for BLH Restaurant Franchises LLC in connection with the offer and sale of franchises for use in the State of Washington is amended to include the following:

1. Section 4.1 of the Agreement is amended by adding the following:

We will defer payment of the initial franchise fee and any other initial payments owed by franchisees to us until the franchised business opens and we have completed our pre-opening obligations under the franchise agreement.

~~1.2.~~ Item 17(d) of ~~BRCC's~~the Franchise Disclosure Document is amended by adding the following:

Franchisees may terminate the Franchise Agreement under any grounds permitted by law.

~~2.3.~~ The parties further agree as follows:

- a. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
- b. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
- c. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
- d. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
- e. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
- f. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the

independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

- g. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.
- h. The undersigned does hereby acknowledge receipt of this addendum.

This amendment will apply only if the Washington Franchise Investment Protection Act, Wash. Rev. Code Chapter 19.100, would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties have signed and delivered this Washington Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

BLH Restaurant Franchises LLC
Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Washington Amendment to the Development Agreement

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180, the Disclosure Document for BLH Restaurant Franchises LLC in connection with the offer and sale of development agreements in the State of Washington is amended to include the following:

1. Section 4.1 of the Agreement is amended by adding the following:

We will defer payment of the initial franchise fee and any other initial payments owed by franchisees to us until the franchised business opens and we have completed our pre-opening obligations under the development agreement.

~~4.2.~~ Item 17(d) of ~~BRCC's~~ the Franchise Disclosure Document is amended by adding the following:

Developers may terminate the Development Agreement under any grounds permitted by law.

~~2.3.~~ The parties further agree as follows:

- a. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
- b. RCW 19.100.180 may supersede the development agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the development agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
- c. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the development agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
- d. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
- e. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
- f. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an

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

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

h. The undersigned does hereby acknowledge receipt of this addendum.

This amendment will apply only if the Washington Franchise Investment Protection Act, Wash. Rev. Code Chapter 19.100, would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties have signed and delivered this Washington Amendment to the Development Agreement on the same date as the Development Agreement was executed.

BLH Restaurant Franchises LLC
Franchisor

Developer Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT I STATE EFFECTIVE DATES

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

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

STATE	EFFECTIVE DATE
California	October 16, 2023 Pending
Illinois	August 14, 2023 Pending
Indiana	August 3, 2023 Pending
Maryland	Pending
Michigan	August 4, 2023 Pending
Minnesota	August 10, 2023 Pending
New York	September 28, 2023 Pending
North Dakota	September 21, 2023 Pending
Rhode Island	July 21, 2023 Pending
South Dakota	August 3, 2023 Pending
Virginia	January 4, 2024 Pending
Washington	Pending
Wisconsin	August 3, 2023 Pending

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

EXHIBIT J TO ITEM 23:

RECEIPT

This Disclosure Document summarizes provisions of the Development agreement, the Development Agreement, and other information in plain language. Read this Disclosure Document and all agreements carefully.

BLH Restaurant Franchises LLC is the franchisor, with its offices at The Colonnade, 15305 Dallas Parkway – 12th Floor, Addison, Texas 75001 (214.845.4800). The franchisor’s registered agents authorized to receive service of process are listed in Exhibit B.

If BLH Restaurant Franchises LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days (and 10 business days in Michigan and Rhode Island, and the earlier of the first personal meeting or 10 business days in New York) before you sign a binding agreement with, or make a payment to us or an affiliate in connection with the proposed franchise sale or grant.

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

The name, principal business address, and phone number of each franchise seller offering the franchise is Brian K. Wright, The Colonnade, 15305 Dallas Parkway – 12th Floor, Addison, Texas 75001 (214.845.4800) (and _____).

Issuance date: ~~July 21, 2023~~ August 22, 2024

I received a Franchise Disclosure Document dated ~~July 21, 2023~~ August 22, 2024, with effective dates of state registration as listed on the State Effective Dates Page, including the following Exhibits:

- | | |
|--|---------------------------------|
| A List of State Franchise Administrators | F List of Bar Louie Restaurants |
| B List of Agents for Service of Process | G Form of General Release |
| C Franchise Agreement and Exhibits | H State Addenda |
| D Development Agreement and Exhibits | I State Effective Dates Page |
| E Financial Statements | J Receipts (2 copies) |

Date _____, 202_____

Franchisee Signature

Print Name (and title if an Organization)

E-mail: _____

Street Address

Please keep this page for your records

EXHIBIT J TO ITEM 23:

RECEIPT

This Disclosure Document summarizes provisions of the Development agreement, the Development Agreement, and other information in plain language. Read this Disclosure Document and all agreements carefully.

BLH Restaurant Franchises LLC is the franchisor, with its offices at The Colonnade, 15305 Dallas Parkway – 12th Floor, Addison, Texas 75001 (214.845.4800). The franchisor’s registered agents authorized to receive service of process are listed in Exhibit B.

If BLH Restaurant Franchises LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days (and 10 business days in Michigan and Rhode Island, and the earlier of the first personal meeting or 10 business days in New York) before you sign a binding agreement with, or make a payment to us or an affiliate in connection with the proposed franchise sale or grant.

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

The name, principal business address, and phone number of each franchise seller offering the franchise is Brian K. Wright, The Colonnade, 15305 Dallas Parkway – 12th Floor, Addison, Texas 75001 (214.845.4800) (and _____).

Issuance date: ~~July 21, 2023~~ August 22, 2024

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- | | |
|--|---------------------------------|
| A List of State Franchise Administrators | F List of Bar Louie Restaurants |
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| C Franchise Agreement and Exhibits | H State Addenda |
| D Development Agreement and Exhibits | I State Effective Dates Page |
| E Financial Statements | J Receipts (2 copies) |

Date _____, 202__

Franchisee Signature

Print Name (and title if an Organization)

E-mail: _____

Street Address

*Please sign, date, and return this page to us at
BLH Restaurant Franchises LLC
The Colonnade, 15305 Dallas Pkwy – 12th Floor, TX 75001
or at FDDReceipts@BarLouie.com*