

FRANCHISE DISCLOSURE DOCUMENT



Escape Enterprises, Ltd.
an Ohio limited liability company
1099 Sullivant Avenue
Columbus, Ohio 43223
(614) 224-0300
url: www.steakescape.com

The franchisee will operate a retail food outlet using the trade name “STEAK ESCAPE SANDWICH GRILL®”, or a variation thereof. The franchised system is a comprehensive food service operation that specializes in the retail sale of specialty sandwiches, specialty salads, specialty potatoes, fresh-cut french fries and fresh made lemonade and utilizes certain unique in-store merchandising techniques, with a strict adherence to uniform procedures to offer products of the highest quality. The total investment necessary to begin operation of a STEAK ESCAPE SANDWICH GRILL franchise is \$239,500 to \$816,500 (not including the cost of the space and new store operational assistance reimbursements of expenses, which vary too widely to be estimated with any accuracy). This includes \$25,000 that must be paid to the Franchisor or an affiliate.

Escape may, in its sole discretion, offer to you the opportunity to enter into a Development Agreement with Escape for development and the grant of exclusive rights to open and operate system restaurants in a particular territory through separate Franchise Agreements for reduced initial franchise fees in consideration of the developer’s agreement to open and operate a specific number of restaurants within the territory (minimum of three (3)), subject to a development schedule. If you enter into a Development Agreement with Escape, you must pay to Escape a nonrefundable fee at the time of signing your Development Agreement. The total investment necessary to begin the operation of a STEAK ESCAPE SANDWICH GRILL franchise development business is between \$279,500 (for a 3 restaurant development) and \$891,500 (for a 5 restaurant development). This includes a development fee that must be paid to the Franchisor or its affiliates of \$65,000 for a three-store development and \$100,000 for a five-store development.

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 Vanessa Salazar at 1099 Sullivant Avenue, Columbus, Ohio 43223 and 614-224-0300.

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, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: **March 31, 2022**

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit E and 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 H 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 STEAK ESCAPE SANDWICH GRILL® 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 STEAK ESCAPE SANDWICH GRILL® franchisee?	Item 20 or Exhibit E and F lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

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

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

**ADDENDUM TO THE FRACHISE DISCLSOURE DOCUMENT
FOR THE STATE OF MICHIGAN**

The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in the franchise documents, the provisions are void and cannot be enforced against you to the extent required by law:

- (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 six months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

- (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. The 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 \$100,000.00, the franchisee may request the franchisor to arrange for the escrow of the initial investment and other funds paid by the franchisee until the obligations, if any, 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 escrow agent may be a financial institution authorized to do business in Michigan. The escrow agent may release to the franchisor those amounts of the escrowed funds applicable to a specific franchisee upon presentation of an affidavit executed by the franchisee and an affidavit executed by the franchisor stating that the franchisor has fulfilled its obligation to provide real estate, improvements, equipment, inventory, training or other items. Partial releases of escrowed funds upon receipt of affidavits of partial fulfillment of franchisor's obligations are permitted.

Questions regarding this notice should be directed to the Michigan Attorney General's Office, Consumer Protection Division, Attn: Franchise Section, 525 W. Ottawa Street, Williams Building, Lansing, Michigan 48909, (517) 373-7117.

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NOTE: State requirements on the offering and sale of franchises vary. Relevant differences are listed in Exhibit C. You should carefully read and consider that information along with the information provided in the main body of this Franchise Disclosure Document.

ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Franchise Disclosure Document, “**Escape**” means Escape Enterprises, Ltd., the franchisor. “**You**” means the person who buys the franchise. If the person who buys the franchise is a corporation, partnership or other entity, “**you**” does not generally include the entity’s owners, although certain of the owners and their spouses will guarantee the obligations of the entity as discussed in Item 15 and will be bound by certain confidentiality requirements and restrictions on competition as discussed in Items 14 and 17. Escape is an Ohio limited liability company, organized on September 30, 1996. Escape has offered, sold and supported STEAK ESCAPE SANDWICH GRILL franchises continuously from August 2012 and franchises under similar concepts under the name “STEAK ESCAPE®” or a variation thereof from October 1996.

Escape is majority-owned and controlled by its parent company, Escape Enterprises, Inc., an Ohio corporation (“**EEI**”). Escape has no predecessors or affiliates which either offer franchises in any line of business or will provide products or services to you except as described below. Escape does not do business under any name other than Escape Enterprises, Ltd. or “STEAK ESCAPE SANDWICH GRILL®” and “STEAK ESCAPE®”. The principal business address for Escape and EEI is 1099 Sullivant Avenue, Columbus, Ohio 43223. Escape’s agent for service of process in your state, if any, is disclosed in Exhibit D.

Escape currently franchises the right to operate restaurants under Escape’s “STEAK ESCAPE SANDWICH GRILL®” system but has in the past offered franchises under the operating names “STEAK ESCAPE”, “STEAK ESCAPE GRILLE” and “STEAK ESCAPE EXPRESS” (collectively the “**System**”). Escape, through its wholly-owned or affiliate companies, operated three System restaurants at the end of the previous year. (See also Item 12.) Escape has determined to cease selling franchises for System restaurants under the names “STEAK ESCAPE”, “STEAK ESCAPE GRILLE” or “STEAK ESCAPE EXPRESS”, but existing restaurants will continue to operate under those names and are included in the information provided in this FDD regarding System restaurants. Escape also currently licenses the right to use the “STEAK ESCAPE SANDWICH GRILL®” and “STEAK ESCAPE®” marks to Vessel Global LLC d/b/a Reef Kitchens (“Reef Kitchens”) pursuant to a Trademark and Brand License Agreement, for Reef Kitchens to prepare, sell and deliver certain “Steak Escape” branded food and beverage items in certain specific territories. These Reef Kitchens units are not considered franchises or company-owned units, but are reported in a separate Item 20 tables for your reference.

You must operate your restaurant in conformity with the System. You will have to compete with other businesses selling food items in the neighborhood where your restaurant is located. Your sales will be affected by seasonal fluctuations of traffic at your location. You are responsible for investigating and complying with the national, state and local health and sanitation regulations for your restaurant. You should consider that certain aspects of any restaurant business are regulated by federal, state and local laws, rules and ordinances in addition to the laws, regulations and ordinances applicable to businesses generally, such as the Americans with Disabilities Act, Federal Wage and Hour Laws and the Occupation, Health and Safety Act. The

U.S. Food and Drug Administration, the U.S. Department of Agriculture, as well as state and local departments of health and other agencies have laws and regulations concerning the preparation of food and sanitary conditions of restaurants. State and local agencies routinely conduct inspections for compliance with these requirements. Under the Clean Air Act and state implementing laws, certain state and local areas are required to obtain, by applicable statutory guidelines, national quality standards for ozone, carbon monoxide and particulate matters. Certain provisions of these laws impose limits on emissions resulting from commercial food preparation. You will need to understand and comply with these laws in operating the Restaurant. There may be other laws applicable to your business. We urge you to make further inquiries about these laws.

Except for the sale of System franchises and the license to Reef Kitchens as discussed above and limited past and present operation of a few System restaurants from time-to-time, Escape has no other prior business experience, has never conducted a business of the type to be franchised, has not previously offered franchises for the same type of business as those offered under this Franchise Disclosure Document and has never offered franchises in other lines of business. Escape has no business activities other than selling System franchises. Certain Escape affiliates, managers, officers and employees have experience in the business, both as owners of or investors in restaurants operating under the System and with other systems as described in this Franchise Disclosure Document. Neither Escape nor any of its affiliates offer franchises in any other line of business.

Escape may, in its sole discretion, offer to developers the opportunity to enter into Development Agreements with Escape for development and the grant of exclusive rights to open and operate restaurants in a particular territory through separate Franchise Agreements for reduced initial franchise fees in consideration of the developer's agreement to open and operate a specific number of restaurants within the territory, subject to a development schedule. Upon establishing each additional outlet under the Development Agreement, a developer may be required to sign a then current franchise agreement, which may differ from the current franchise agreement included within this Franchise Disclosure Document.

ITEM 2

BUSINESS EXPERIENCE

Director, Chairman and Treasurer of Manager: Kennard Miller Smith

Mr. Smith has been serving as a Director, Chairman and Treasurer of Manager since June, 1983.

Director, President and Secretary of Manager: Mark George Turner

Mr. Turner has been serving as a Director, President and Secretary of Manager since June, 1983.

Controller: John Edmond Atala

In January, 2016, Mr. Atala assumed his current position as Controller with Escape. From March 2003 to June 2015, Mr. Atala served as Finance Director of Isabelle Ridgway Care Center in Columbus, Ohio.

Director of Operations: Michael Contes

. In November 2018, Mr. Contes assumed his current position as Director of Operations with Escape. From July 2013 through November 2016, Mr. Contes served as Director of Purchasing and Distribution for Escape, in Columbus, Ohio. From July 2013 through November 2016, he was Director of Operations with G6 Hospitality. From November 2016 through November 2018, he was the District Manager at Sandlian Management

Director of Training: Dirk Ahlgrim

Mr. Ahlgrim has been serving as Director of Training for Escape since May, 2013.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this item.

ITEM 4

BANKRUPTCY

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

ITEM 5

INITIAL FEES

An initial franchise fee is payable upon signing of the Franchise Agreement. The initial franchise fee is generally \$25,000. If a Franchise Agreement is entered into under a Development Agreement, the terms will be negotiated at the time the Development Agreement is entered into and the initial franchise fee may be less (in consideration of the developer's agreement to open and operate a specific number of restaurants within the territory, subject to a development schedule) and may be payable in two installments, a negotiated amount upon signing of the Development Agreement and the balance upon the signing of the Franchise Agreement. The initial franchise fee is nonrefundable. In the 2021 fiscal year, the amount of initial franchise fees actually paid for each single new franchise to be located in the United States was \$25,000 and there were no franchise units developed under a Development Agreement.

If you enter into a Development Agreement with Escape, you must pay to Escape a nonrefundable fee at the time of signing your Development Agreement. The development fee is

calculated as follows: for a three (3) store development, \$65,000; for a five (5) store development, \$100,000. The minimum number of units required to be opened under a Development Agreement is three (3).

In certain states, as required by state authorities based on a review of our financial statements, we may defer our receipt of the Initial Franchise Fee and all other initial payments or deposit them into escrow until we have met our initial obligations to you; see state addenda in Exhibit C.

ITEM 6

OTHER FEES

Type of Fee (See Note 1)	Amount	Due Date (See Note 2)	Remarks
Royalty (See Note 3)	6% of Gross Sales (See Note 4)	Payment shall be due, and payment must be received by Escape on or before the close of business on the 15 th day after the end of each month.	Under special circumstances, Escape may, in its discretion, reduce the amount of royalty fees to less than 6% of Gross Sales. All catering orders and third party deliveries are considered part of the Gross Sales revenue which is used to determine royalties.
Marketing Fund (See Note 5)	Mall: Currently 0.5% of Gross Sales but subject to increase up to 2%. Non-Mall: Currently 1.5% but subject to increase up to 3%.	Payment shall be due, and payment must be received by Escape on or before the close of business on the 15 th day after the end of each month.	Upon 90 days' notice, Escape may increase the marketing fund fee for restaurants to equal up to 2% of Gross Sales for a store located in a Mall and 3% of Gross Sales for a store not located in a Mall.
Customary Initial Training	No fee	NA	
Refresher and Remedial Training	At Escape's request, you must pay Escape's then-current standard training fees, currently \$200.00 per day per trainee. (See also Section 11.)	30 days after invoice	As discussed at Item 7, you must reimburse Escape for travel and living expenses incurred with such training.

Type of Fee (See Note 1)	Amount	Due Date (See Note 2)	Remarks
Renewal	You must pay 50% of the then-current system standard initial franchise fee.	Payable on execution of updated Franchise Agreement.	Non- refundable.
Transfer and Training	\$10,000 or, if the Transfer is among then-existing owners of the franchisee, \$2,000.	Payable on execution of new Franchise Agreement.	Non-refundable. Includes normal training of new franchisee's personnel.
Relocation	50% of the then current Initial Franchise Fee	Payable upon Escape's approval of relocation	In addition to the relocation fee, you will also pay Escape a pro-rated renewal fee as discussed in Item 12.
Interest on Late Payments	5% over JP Morgan Chase Bank's prime rate	Payable upon demand	Assessed if you do not pay a sum due under the Franchise Agreement when due.
Administrative	\$25 per day	Payable upon demand	Assessed if you do not submit required financial statements, sales tapes or other required materials to Escape.
Late Charges	1% of Gross Sales	Payable with royalty fees	Assessed if you do not pay royalty fees for any month when due.
Service Charge	\$25.00 per day	Payable upon demand	Assessed after a written notice from Escape and passage of 10 business days if you do not electronically transmit Gross Sales and other sales information.
Review of Proposed New Supplier	Varies	30 days after invoice	As discussed at Item 8, you must reimburse Escape's expenses incurred in reviewing a proposed new supplier. See Item 8.
Audit	You must pay costs of inspection or audit. Audit costs are estimated to range from \$2,500 to \$5,000. In addition, you must reimburse the costs of travel, lodging, and meals for the auditor(s).	Payable upon demand	Assessed if an audit of your books and records discloses that (a) your Gross Sales have been understated for any reporting period by 3% or more or (b) you have failed to maintain your books and records as required.
Costs and Attorneys' Fees	Will vary under the circumstances	Payable upon demand	Assessed if you fail to comply with any provision of the Franchise Agreement.
Indemnity	Will vary under the circumstances	Payable upon demand	You indemnify Escape from all claims and liabilities connected with the restaurant.

Type of Fee (See Note 1)	Amount	Due Date (See Note 2)	Remarks
Liquidated Damages	Will vary under the circumstances	Payable upon demand	If the Agreement terminates you will generally be required to pay us as liquidated damages an amount equal to 24 months of average royalty fees payable under the Agreement.

Note 1: All fees are imposed by and payable to Escape. All fees are nonrefundable, except as specifically noted.

Note 2: You are required to maintain an automatic withdrawal mechanism to allow us to draw amounts owed to us directly from your bank accounts. In addition, at any time when you have failed for two consecutive months to pay royalty fees within five days of when due, Escape may demand that you deliver an irrevocable letter of credit as security for future monetary obligations under your Franchise Agreement in an amount equal to six times the average monthly payments payable by you under your Franchise Agreement. You must pay all costs and expenses of establishing and maintaining a letter of credit.

Note 3: In some Franchise Agreements, the royalty fees have ranged from 0% to 6% for some restaurants.

Note 4: “Gross Sales” are defined in the Franchise Agreement, Section 5.B(iii) as follows: The term “Gross Sales” shall mean gross receipts of every kind and nature which arise from or are derived by Franchisee or any other person from business conducted or which originated in, on, from or through the restaurant premises, or from the sale of any products associated with the Trademarks or the System, whether such business is conducted in compliance with or in violation of the terms of this Agreement, on the Restaurant premises or off, whether upon credit or for cash, without reserve or deduction for inability or failure to collect or for any amount required under this Agreement or otherwise expended by Franchisee to advertise or promote the restaurant. Gross Sales shall not include the amount of any sales tax levied upon retail sales and paid to the appropriate governmental authority.

Note 5: No advertising cooperatives currently exist, however, at Escape’s option, you may be required to join local, regional and/or national advertising cooperatives with other franchisees and possibly contribute additional amounts (up to 4% of Gross Sales), which amounts will be credited towards your local marketing expenditure requirement. Escape is not required to contribute to any cooperative for its company-owned stores, but intends to do so if any are established inclusive of such territories. Also, in the event of franchisor-owned outlets in such cooperative, it shall have a single vote with respect to these imposed by franchisee cooperatives; however, such franchisor-outlets do not have controlling power to determine such fees.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT – SINGLE UNIT

Type of Expenditure	Low Amount (See Note 1)	High Amount (See Note 1)	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee	\$25,000	\$25,000	Cash	Payable in full upon signing of the Franchise Agreement.	Escape

Type of Expenditure	Low Amount (See Note 1)	High Amount (See Note 1)	Method of Payment	When Due	To Whom Payment is to be Made
Initial Training Expenses (See Note 2)	\$2,000	\$4,000	Cash	As required by your suppliers.	Your suppliers
Initial Inventory of Food, Paper Products and Misc. Supplies	\$5,000	\$10,000	As required by suppliers	As required by suppliers	Your suppliers
Space Lease (Security Deposit and First Three Months' Rent)	\$6,000 (See Note 3)	\$24,000 (See Note 3)	As required by Lease	As required by Lease	Your lessor
Construction and Leasehold Improvements (See Note 4)	\$75,000	\$475,000	As required by suppliers	As required by suppliers	Your suppliers
Furniture, Fixtures and Equipment (See Note 5)	\$77,000	\$140,000	As required by suppliers	As required by suppliers	Your suppliers
Signs and Graphics (See Note 6)	\$7,000	\$25,000	As required by suppliers	As required by suppliers	Your suppliers
POS System (See Note 7)	\$3,500	\$15,000	As required by suppliers	As required by suppliers	Your suppliers
Lease Negotiation Legal Expenses	\$2,000	\$10,000	As required by attorney	As required by attorney	Your attorney
Architectural Services (See Note 8)	\$8,000	\$35,000	As required by suppliers	As required by suppliers	Your suppliers
Insurance	\$2,000	\$7,500	As required by broker	Normally payable in installments	Your insurance broker
Uniforms	\$1,000	\$2,000	As required by suppliers	As required by suppliers	Your suppliers
Pre-Opening Advertising (See Note 9)	\$4,000	\$10,000	As required by suppliers	As required by Escape's approved suppliers	Escape's approved suppliers
Utility Deposits, Business Licenses, and Prepaid Expenses	\$2,000	\$4,000	As required by suppliers	As required by suppliers	Your suppliers
Additional Funds – Three Months (See Note 10)	\$20,000	\$30,000	As required by suppliers	As required by suppliers	Your suppliers

Type of Expenditure	Low Amount (See Note 1)	High Amount (See Note 1)	Method of Payment	When Due	To Whom Payment is to be Made
TOTAL (See Note 11)	\$239,500	\$816,500			

Note 1: Amounts payable to Escape are not refundable. Amounts payable to third parties are usually not refundable, but the third party will establish refundability.

Note 2: The expenses include the travel and certain living costs of you or your personnel participating in Escape's training. Travel expenses will, by necessity, vary depending upon where you or your participating personnel are located.

Note 3: A typical in-line strip center restaurant is between 1,000 and 2,000 square feet. Your rent will vary depending on such factors as the actual square footage, condition, desirability of the location and overall condition and requirements of the center.

Note 4: The estimate given is for a 1,500 square foot leased location and may not be relevant to other types of locations. Factors that may significantly affect the costs of leasehold improvements and new construction include (a) the condition of the existing space, (b) the nature of the previous tenant, if any, (c) the configuration of the space, (d) local code requirements and (e) the geographic location of the restaurant. This estimate does not include any site improvements, *i.e.*, parking lot paving, lights, trash enclosure, landscaping or any addition to the existing building.

Note 5: This estimate covers the cost of standard kitchen equipment, furniture and fixtures, other than an exhaust package. The estimate may not cover all equipment required by law, local regulations or your lease, if leasing. Additional equipment may be required resulting in substantial additional costs to you. The estimate does not include the cost of transporting equipment from the supplier to the restaurant. The cost of transportation will vary with the distance over which equipment must be shipped, the method of shipping, the weight of equipment and other factors and cannot be estimated with any accuracy.

Note 6: This estimate covers the cost of exterior signs. Actual costs may vary depending on landlord requirements and local sign ordinances regarding the size and permitted use of certain signs.

Note 7: In addition to the POS system and related hardware, there may be either a subscription fee or a support contract that may vary, depending on how many terminals you purchase and services elected or required. These fees can range from \$100 - \$200 per month.

Note 8: This estimate covers your cost of securing architectural and/or engineering services to convert Escape's design drawings into construction plans suitable for permitting and securing construction cost estimates for your restaurant. The amount may vary from region to region, depending on local building codes and ordinances.

Note 9: You must spend a minimum amount on advertising, based on your Gross Sales. (See Item 11.) This estimate does not reflect such minimum requirement but only the actual amount anticipated for pre-opening advertising.

Note 10: These expenses include payroll costs and anticipated post-opening advertising expenses but do not include rent, which varies too greatly to be estimated with any accuracy, nor royalty fees or marketing fund fees payable to Escape since those are dependent upon Gross Sales, which Escape cannot predict. Escape has based its estimate of necessary additional funds on the experience of its affiliates which own and operate restaurants and also on the experience of its franchisees.

Note 11: These figures are estimates and Escape cannot guarantee that you will not have additional expenses. While Escape relied on its experience in compiling these estimates, you should review these figures carefully with a

business advisor before making any decision to purchase. Escape does not offer direct or indirect financing for any items and these figures do not include any interest or other payments required as a result of your financing any of these expenses with a bank or other lender. The availability and terms of financing will depend on factors such as the availability of financing generally, your credit worthiness, collateral you may have and lending policies of financial institutions from which you may request a loan. Also, this range does not include the cost of the space and new restaurant operational assistance reimbursements of expenses which vary too widely to be estimated with any accuracy.

YOUR ESTIMATED INITIAL INVESTMENT – DEVELOPMENT AGREEMENT

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Development Fee (See Note 1)	\$65,000	\$100,000	Lump Sum	At signing of Development Agreement	Franchisor See Note 1 and Item 5.
Initial Investment (for 1 st Unit) (See Note 2)	\$214,500	\$791,500	Varies.	Varies.	Varies.
TOTAL	\$279,500	\$891,500			See Note 2.

Note 1: The amounts listed in this row represent the total amounts due as the Development Fee for the number of units indicated. The minimum number of units required to be opened under a Development Agreement is three (3) units, and is reflected in the “Low Amount”; the “High Amount” reflects a development of five (5) units.

Note 2: Please refer to the Item 7 Table for the Estimated Initial Investment for a single unit franchise for the expenses associated with opening a Steak Escape Business under a Franchise Agreement pursuant to a Development Agreement. Note that this row does not include all of the Initial Franchise Fee for the three (3) franchise units or the five (5) franchise units, respectively, as part of such fee is included in the first row of this chart and is what comprises the Development Fee.

As these figures are just estimates, we cannot guarantee that you will not have higher costs. Competitive conditions described in Item 1 will affect these costs. This estimate of startup costs is calculated for a period of three (3) months (except as stated otherwise), with additional operating capital to be available as may be needed during the initial phase. These costs do not include your Royalty fee and Marketing Fund fees which begin immediately after the opening of your restaurant. These costs should be included in your projections of overall operations costs beginning with your first month of operation. We acknowledge that you may choose to invest additional funds into your business during the first three (3) months of operation, and sometimes longer, but we cannot estimate or promise when, or whether, any individual Franchisee will achieve positive cash flow or profits.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

All food and beverage ingredients, products, equipment, software, computer and POS systems, marketing and advertising materials and all paper and other goods bearing the STEAK ESCAPE SANDWICH GRILL or other proprietary designation purchased for the restaurant must conform to Escape’s specifications and must be purchased from approved suppliers, if these suppliers are so designated. The cost of these items, purchased in accordance with Escape’s

specifications, will represent approximately 95% of your total purchases for the establishment and operation of your restaurant. Generally, product specifications are included in the *STEAK ESCAPE® Management Development Guide* and equipment specifications are located on the System website or provided by Escape's design and construction department. A list of approved suppliers is provided by our Purchasing Department during initial training. Approved suppliers receive the specifications directly from Escape. These specifications include standards for quality, taste, design, appearance and performance. Escape may, by notice to you, issue additional specifications or alter existing specifications for these items and add or delete approved suppliers. Escape does not make any express or implied warranties about any items recommended for your use.

If you want to purchase or lease equipment, supplies, products or services from a supplier that has not been approved by Escape, Escape may require you to reimburse our expenses to visit the proposed supplier and submit specifications, drawings, photographs, samples and other relevant information for examination or testing. Escape reviews proposed suppliers of various products based on factors like the utility of the product, quality of the product, capability of the supplier, compatibility with Escape's established distribution system and other relevant factors. Escape's criteria for supplier approval are available to franchisees. Other than the reimbursement of our expenses in reviewing a potential supplier, there is no fee to apply for approval of a new supplier. You must present Escape with information about the proposed supplier and a prototype of the product to be supplied. Escape will approve or disapprove a proposed supplier within 60 days of receipt of the prototype and all requested information. Escape and its affiliates are not approved suppliers of any goods or services except for marketing materials discussed in Item 11 and derive no revenues from sales of goods or services to the franchisees except as set forth in the next paragraph. No officer of Escape owns an interest in any approved supplier.

We use our best efforts to negotiate the best prices for approved products and encourage our suppliers to offer their best prices to you. However, some suppliers provide additional assistance in the form of payments to us based on sales made or direct contributions. In 2021, Escape's total revenue was approximately \$1,054,074.00 and Escape received rebates and contributions of approximately \$73,306.78 (approximately 13% of total revenues) from certain suppliers, all of which was based on amounts of purchases by all franchisees of the System on a contribution per gallon, per case or per pound basis, as applicable. Escape applied all such rebates and contributions to the marketing fund, and to the provision of training and support materials for franchisees. Escape does not maintain a purchasing or distribution cooperative for its franchisees. Escape has established national pricing programs with certain suppliers who provide the sale of certain goods to its franchisees within certain guidelines. You are encouraged, but not required to purchase from approved suppliers with national pricing programs. However, you may purchase from an alternative supplier if it meets our specifications and has been approved by Escape.

You must purchase a POS system and related software as specified periodically for your restaurant as discussed in Item 11. The POS systems must be purchased from the current approved POS vendor of Escape.

Insurance. Before you open your restaurant and at all times thereafter, you shall maintain

the insurance that may be required by the terms of any lease for the Restaurant premises and, in addition, you agree to carry the following insurance:

(i) Commercial Liability Insurance under a comprehensive general liability form that includes coverage for bodily injury and property damage on an occurrence basis with coverage that includes product/completed operations with policy limits of at least \$1,000,000 primary and \$2,000,000 umbrella/excess liability.

(ii) Employer's Liability Insurance and Worker's Compensation with coverage equal to the greater of (a) \$100,000; or (b) the amount required by law in the state in which your Restaurant is located. This coverage shall be in effect for all of your employees who participate in the training program referred to in Section 6.A of this Agreement.

(iii) Builder's Risk Insurance with coverage equal to the greater of replacement costs of your Restaurant structure and improvements, based on current market value or the amount required by your lending institution.

(iv) Fire, Vandalism and Extended Coverage Insurance with limits of insurance of at least the full replacement value of your Restaurant, its furniture, fixtures and equipment.

The insurance coverage shall reflect that we are listed as an additional insured under the commercial general liability coverage; and, if we have an insurable interest, that we are an additional insured, as our interests may appear, under the fire, vandalism and extended coverage insurance. We may reasonably increase the minimum coverage required and require different or additional kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards or other relevant changes in circumstances. You agree to furnish certificates of insurance or, if we so request, copies of the insurance policies, to us, both before opening within the time period as provided in the Franchise Agreement and at least annually thereafter. All policies of insurance must be renewed at least 30 days before expiration. All policies of insurance must contain endorsements requiring the insurer to give us at least 10-day advance written notice before terminating, cancelling, or making changes in any policy. All policies of insurance shall be written by an insurance company with an "A" or better rating by the latest edition of Best's Insurance Rating Service. No policy of insurance shall provide for a deductible amount which exceeds \$10,000 and your co-insurance, under any policy of insurance, shall be 80% or greater.

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 Franchise Disclosure Document.

Obligation	Section in Agreement ¹	Item in Franchise Disclosure Document
(a) Site selection and acquisition/lease	Sections 7.B and 13; Section 5 of Development Agreement (See Exhibit B-3.)	Items 6, 11 and 12
(b) Pre-opening purchases/leases	Sections 6, 7.F and L and 13	Item 8
(c) Site development and other pre-opening requirements	Sections 6, 7.B and C; Sections 1, 3, 4, 5, 6, and 7 of Development Agreement	Items 6, 7, 11 and 12
(d) Initial and ongoing training	Section 6; Section 6 of Development Agreement	Items 5, 6 and 11
(e) Opening	Sections 6 and 7.B; Section 1 of Development Agreement	Items 11 and 12
(f) Fees	Section 4 (renewal); Section 5 (initial, royalty, marketing, and other fees); Section 7 (miscellaneous fees); Section 8 (transfer); and Sections 3 and 4 of Development Agreement	Items 5, 6 and 12
(g) Compliance with standards and policies/operating manual	Sections 2, 3, 6, and 7; Sections 4 and 5 of Development Agreement	Items 11, 12 and 14
(h) Trademarks and proprietary information	Sections 3, 7.A and Q; Section 4 of Unconditional Continuing Guaranty (See Exhibit B-2.)	Items 13, 14 and 15
(i) Restrictions on products/services offered	Sections 2 and 7	Item 16
(j) Warranty and customer service requirements	Section 7	Item 11
(k) Territorial development and sales quotas	Section 1; Section 1 of Development Agreement	Item 12
(l) Ongoing product/service purchases	Section 7.F and L	Item 8

¹ All section references are to the Franchise Agreement unless otherwise indicated. (See Exhibit B-1.)

Obligation	Section in Agreement¹	Item in Franchise Disclosure Document
(m) Maintenance, appearance and remodeling requirements	Sections 6 and 7	Item 11
(n) Insurance	Section 7.R; Section 7 of Development Agreement	Item 7
(o) Advertising	Section 7.X	Items 6, 7, 8 and 11
(p) Indemnification	Section 7.S; Section 16 of Development Agreement; Unconditional Continuing Guaranty (See Exhibit B-2)	Items 6, 13, 14 and 15
(q) Owner's participation/management/staffing	Sections 6 and 7; Unconditional Continuing Guaranty (See Exhibit B-2)	Items 11 and 15
(r) Records and reports	Sections 5.B and 7.T, U and V	Items 6, 8 and 11
(s) Inspections and audits	Sections 7.P and V	Items 6 and 11
(t) Transfer	Section 8; Section 11 of Development Agreement	Item 17
(u) Renewal	Section 4.B	Item 17
(v) Post-termination obligations	Sections 10.C, 10.D and 11; Unconditional Continuing Guaranty (See Exhibit B-2); Section 12 of Development Agreement	Items 6, 15 and 17
(w) Non-competition covenants	Section 11; Unconditional Continuing Guaranty; Section 12 of Development Agreement (See Exhibit B-2)	Items 15 and 17
(x) Dispute resolution	Section 14.G; Unconditional Continuing Guaranty; Section 18 of Development Agreement (See Exhibit B-2)	Item 17
(y) Other (describe)	Not applicable	Not applicable

ITEM 10

FINANCING

Escape may, in certain situations, introduce you to a possible funding source. In such situation, the terms of the financing will be subject to your negotiation with the funding source. The funding source may pay consideration to Escape for such introduction but the amount of such consideration is not subject to any agreement.

Except as disclosed above, Escape does not offer direct or indirect financing. Escape does not guarantee your note, lease or obligation.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, Escape is not required to provide you with any assistance.

Before you open your business, Escape will:

- Train your required individual managers according to the following chart. Escape reserves the right to modify the standard training program to reflect specific situations. In addition, we may require that training include attending a System restaurant opening. Escape requires two trained and Escape-certified managers per restaurant. These managers must complete the training to Escape's satisfaction before the opening of your restaurant. In addition, if a principal owner of the restaurant will not be one of the required trained managers, then a principal owner may be required to complete an abbreviated training course for non-manager owners. Any other manager for your restaurant may attend the initial training. There is no fee payable to Escape for initial training. However, you must pay for the travel and certain living costs of your own personnel involved in training, estimated at between \$2,000 and \$4,000 (see Item 7). The principal instructional materials used in training are discussed in Item 14. In addition, Escape may use incidental materials including videos where special presentations may be helpful. All training is performed at Escape's headquarters in Columbus, Ohio. Escape conducts initial training programs on a restaurant-by-restaurant basis as needed. Management training is generally finished at least 10 days before the scheduled opening of a restaurant. Escape may require additional training at any time during your operation of the restaurant for which a fee may be charged². Escape's instructor has been employed by Escape since May of 2013, and has over 32 years of experience in the field of restaurant training. (See Franchise Agreement, Section 6.A.)

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On the Job Training	Location
Phase 1: Restaurant operations, management and role training.	60	62	Escape's headquarters plus training store in Columbus, Ohio
Phase 2: New franchisee opening, staff and management training	0	80	Franchisee's Restaurant
Manager food safety certification training.	10	0	Escape's headquarters in Columbus, Ohio

² If additional training is required at your facility or location, you must pay for actual costs for the facility, shipment, training materials and costs for trainers' food, lodging and transportation plus a per diem training cost of \$200, all of which shall be capped at no more than \$600 per day.

- Loan to you the publications listed at Item 14, and other manuals, guidelines and materials revised or developed. (See Franchise Agreement, Section 6.B.) These publications are confidential and remain the property of Escape. See Exhibit B-5 for a copy of the Table of Contents of the *STEAK ESCAPE® Management Development Guide*. The Table of Contents lists the number of pages about each subject. The total number of pages in the *Management Development Guide* is 220.
- Cause our Design Criteria Guide (standard, non-customized, design overview drawings) and customized, preliminary layout drawings for the restaurant to be provided to you. (See Franchise Agreement, Section 6.C.)
- Agree with you on the location of your restaurant by a date negotiated on a case by case basis and specified in your Franchise Agreement. (See Franchise Agreement, Section 7.B(i).) If we cannot agree on a site before the outside date that is negotiated between us, unless the failure is caused solely by our act or omission, then Escape may terminate the Franchise Agreement and, in such case, the initial franchise fee will not be refunded. (See Franchise Agreement, Sections 10.A(xii) and 10.B.) In evaluating a potential location, Escape takes into account many factors including location, traffic patterns, co-tenants and occupancy history. For locations of future units, both under the Franchise Agreement and the Development Agreement, Escape will utilize its then-current standards for site approval. You may be required to submit to Escape a completed Request for Site Review for any site you wish to propose for the restaurant. See Exhibit B-6. Historically, Escape has not required such a Request in connection with mall sites but reserves the right to do so. Escape will respond to your request for approval of a specific location within 30 days of your submission of a complete site acceptance request. (See Franchise Agreement, Section 7.B(i).)
- Provide a list of preferred vendors, list of smallwares and an equipment list.

During the operation of your restaurant, Escape will:

- Consult with and advise you periodically regarding the development and operation of your restaurant. Escape shall communicate to you its know-how, new developments, techniques and improvements in the areas of restaurant management, food preparation and services which are pertinent to the operation of your restaurant. Escape shall also make available to you all additional services, facilities, rights and privileges which Escape makes generally available to all of its franchisees. (See Franchise Agreement, Section 6.B.)

The Franchise Agreement does not require Escape to provide you with any advertising programs. However, Escape approves and produces certain marketing and advertising materials which it may distribute at cost and other materials from an approved supplier that are provided at a nominal cost. You must buy these materials only from Escape's approved suppliers. You must not produce or use your own advertising materials without Escape's prior consent. Historically, Escape has used print advertising distributed at the point of sale and, on a limited basis, radio, direct mail, internet and newspaper advertising. (See Items 8 and 9.) Escape does not currently

maintain an advertising council composed of franchisees to advise Escape on advertising policies. You have no right to engage in mail order, telemarketing, internet marketing or other direct marketing activities. (See Item 12.)

The Franchise Agreement does not require Escape to spend any amount on advertising in your area or territory. Escape currently maintains a marketing fund which it uses to provide marketing assistance and materials. In addition to franchisees, Escape encourages its suppliers to contribute to the fund. Escape has also in the past made discretionary contributions to the fund. Your obligation to make contributions to the fund is discussed at Item 6. Currently, new franchisees, including affiliates of Escape, must contribute to the fund at the same rate although the rate is different for mall and non-mall outlets. However, franchisees that have earlier agreements may have different rates of contributions to the marketing fund. Escape administers the marketing fund. The fund is not independently audited by a third party and the marketing fund financial statements are not available to franchisees. In 2021, 4% of the fund's payments were spent on production, 20% on a portion of the salary of Escape's marketing personnel, 0% for new restaurant opening promotion and 76% on other administrative expenses. In 2021, none of the total advertising expenditures from the marketing fund were used for soliciting new franchise sales. Any marketing fund fees not spent in the year accrued are rolled forward and used in following years.

We administer the fund, which is not audited. Fund contributions are not used to sell additional franchises. We will prepare an annual unaudited statement of monies collected and costs incurred by the fund and furnish it to you upon written request. All financial statements will be available one hundred and twenty (120) days after the end of our fiscal year. We reserve the right not to spend all of the amounts in the fund in any one (1) year and such funds may be accrued into the next year.

You must follow additional advertising requirements. Specifically, you must spend at least two percent of your Gross Sales on local and regional advertising, on a monthly basis. Advertising expenditures which will be credited against your local marketing expenditure requirement include: (a) amounts paid to advertising cooperatives, as discussed, below; (b) print and internet advertising expenditures; and (c) amounts spent for advertising media, including television, radio, newspaper, billboards, posters, direct mail, promotional items and advertising on public vehicles (transit and aerial); and, if not provided by Escape, the cost of producing approved materials necessary to participate in these media. Advertising expenditures to be credited against your local advertising expenditure requirement do not include amounts spent for items which Escape, in its reasonable judgment, deems inappropriate for meeting the minimum advertising requirement. Although no advertising cooperatives currently exist, at Escape's option, you may be required to join local, regional and/or national advertising cooperatives with other franchisees and possibly contribute additional amounts (up to 4% of Gross Sales) towards the activities of these cooperatives, which amounts will be credited towards your local marketing expenditure requirement, discussed above. Escape is not required to contribute to any cooperatives for its company owned stores, but intends to do so if any are established inclusive of such territories. Escape reserves the right to form, change, dissolve or merge any such advertising cooperatives but currently intends to create such cooperatives only at the request of the majority of franchisees in the applicable market.

You must purchase and may use only our specified model of POS system in your restaurant. The POS system costs between \$3,500 and \$15,000. (See Item 7.) These machines provide both cash register and sales polling functions. In addition to processing customer transactions, the POS systems collect sales information (including products sold and times of sale). There are no contractual limits on Escape's rights to access your information via this equipment and software and you agree Escape shall have independent access to your information through your POS system. The POS system will require you to have internet access via high speed connectivity and a computer on site that will provide capability for Escape to communicate electronically with the location via e-mail. You must purchase the POS systems from a vendor approved by us. The POS systems must be programmed, configured and operated in accordance with Escape's specifications. (See Item 6.) Escape may require you to update or change your POS system equipment and any related software during your operation of the restaurant, such cost to be at your expense. There are no contractual limitations on the cost or frequency of this obligation.

In addition to the costs of the POS system and related equipment, you will also be required to acquire related software. Currently, necessary software is included in the initial cost of the POS system. However, in the future you may be required to acquire additional software. This could result in additional licensing, service and other fees estimated to range from \$100 to \$200 per month, depending upon services elected or required, in addition to service fees if you require additional technical assistance. (See also Item 7.) (See Franchise Agreement, Section 5.B(ii) and Section 5.I.)

The typical length of time between the earlier of the signing of the Franchise Agreement or your first payment of any consideration for the franchise and the opening of a restaurant is approximately two to six months. This period may vary in the case of a particular restaurant depending on its venue, the length of time necessary to negotiate your lease or otherwise acquire your site, obtain financing and building permits, complete construction of the restaurant, ship products and equipment, and other factors unique to a particular restaurant.

ITEM 12

TERRITORY

Escape may establish other franchised, company-owned or affiliated outlets that may compete with your location, regardless of their proximity to your restaurant. Your franchise will be granted either for a specific location or for a location to be determined, subject to Escape's approval. You must operate only from your approved location and must receive Escape's permission before relocating. Escape has no obligation to approve any relocation of your location. Historically Escape has approved relocation in the case of severe economic shift in the local trade area and if the landlord refuses to renew the restaurant lease. Upon any approved relocation, you will be required to pay a relocation fee of 50% of the then current Initial Franchise Fee, sign the then current form of Franchise Agreement which will provide for a renewal term of ten years to begin upon the relocation, and pay a renewal fee as described in Item 6. The renewal fee will be prorated to reflect any years left in your then current franchise term at the time of relocation. You do not receive the right to acquire additional franchises. You have no right to engage in direct sales of products, whether through mail order, telemarketing,

Internet marketing or other direct marketing activities either within or without any territory. If you violate these obligations, Escape may sue you for damages. Escape and its affiliates retain the right, in their sole discretion and without granting any rights to you, to themselves sell, or grant others the right to sell, the products and services authorized for sale at the restaurant, through other channels of distribution (including mail order, telemarketing, Internet marketing or other direct marketing activities), under Escape's trademarks or otherwise, on terms and conditions as Escape may deem appropriate.

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.

Escape may, in its sole discretion, offer to you the opportunity to enter into Development Agreements and become a "developer" with Escape by granting you exclusive rights to open and operate multiple restaurants in a particular territory for reduced initial franchise fees in consideration of you, as developer, agreeing to develop, open and operate, through separate Franchise Agreements, a specific number of restaurants within the territory, under a development schedule. Escape is not obligated to offer you the opportunity to enter into a Development Agreement. We will evaluate each proposed future site under the Development Agreement as set forth in Item 11 utilizing our then current standards for site selection. Any particular territory granted will be subject to negotiation; there is no guaranteed minimum territory for Development Agreements. Upon signing a Development Agreement, you, as developer, must pay Escape a nonrefundable fee in the amount of \$65,000 (for a three unit development) or \$100,000 (for a five unit development). Concessions granted to developer during the term of a Development Agreement, including the right to exclusive territory, generally do not survive after development is complete. If you fail to meet your obligations under a Development Agreement, including your failure to open the minimum number of restaurants required on schedule or to continue operating the minimum number of restaurants required, we may terminate the Development Agreement, keep any remaining portion of the development fee paid, restrict you from opening additional restaurants, and revoke your exclusivity rights. If you enter into a Development Agreement, your Principal Owners (as defined in the Franchise Agreement) and their spouses must sign a Guaranty Agreement in which they assume and agree to honor all obligations of the developer under the Development Agreement. In addition, if the Franchise Agreement is signed by an affiliate of developer, as permitted under the Development Agreement, the developer and its Principal Owners and their spouses must also sign a Guaranty Agreement to assume and agree to honor all obligations of the franchisee under the affiliate's Franchise Agreement. For Escape's form of Development Agreement and related Development Agreement Guaranty, see Exhibits B-3 and B-4. For our form of Franchise Agreement and related Franchise Agreement Guaranty, see Exhibits B-1 and B-2.

ITEM 13

TRADEMARKS

All rights in Escape's trademarks are owned by Escape. Escape may change its trademarks and you must use the new or modified trademarks exclusively, all at your expense. By "trademarks" Escape means trade names, trademarks, service marks and logos used in the

operation of your restaurant. Under the Franchise Agreement, Escape grants to you the right to operate a restaurant under the name “STEAK ESCAPE SANDWICH GRILL” or a variation designated by Escape. The following is a listing of the System’s principal trademarks. All trademarks registered with the United States Patent and Trademark Office (“**Trademark Office**”) are registered on the principal register. All affidavits of use due to be filed to maintain these registrations have been timely filed to date. Escape has also registered, or has registration applications pending, for certain marks in various foreign countries, including Canada and Mexico.

Mark	Registered with Trademark Office	Date of Registration	Registration Number	Initial or Renewal Term
STEAK ESCAPE	Yes	10/06/98	2,193,800	Renewal
STEAK ESCAPE SANDWICH GRILL	Yes	12/30/14	4,662,608	Renewal

You must follow Escape’s rules when you use these trademarks. You may not use Escape’s marks for the sale of an unauthorized product or service or in a manner not authorized by Escape. There are no agreements currently in effect that significantly limit the rights of Escape to use or license the use of its trademarks in any material manner. Escape is not obligated to protect any of its or your rights to use the trademarks, service marks or other commercial symbols of Escape nor to protect, indemnify or defend you against claims respecting any of Escape’s trademarks. Escape knows of no superior prior rights or infringing uses that could materially affect your use of Escape’s principal trademarks. You must notify Escape of any infringement of or challenge to your use of any of Escape’s trademarks and Escape will have sole discretion to take any action it deems appropriate. Escape has the right to control any administrative proceedings or litigation involving a trademark licensed to you.

There are no currently effective material determinations of the Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of any state or any court; no pending actions for infringement, opposition or cancellation; and no pending material litigation involving Escape’s principal trademarks.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Escape has no rights in or licenses to any patent or pending patent application. Escape claims common law copyrights on its materials, including the *STEAK ESCAPE® Management Development Guide*, the *STEAK ESCAPE® Critical Path*, the *Cast Member Development Guide* and the *Design Criteria Guide*, all training manuals and materials, charts, films, videos and printed materials. Escape has not registered any of its current publications with the United States Copyright Office. Escape may change such materials at any time and you must use the new or modified materials exclusively, all at your expense.

The Franchise Agreement grants you the right to use the listed material and other intellectual property of Escape. You must follow Escape's rules when you use these materials. You will also be granted the right to use certain trade secrets of Escape under the terms of the *STEAK ESCAPE® Management Development Guide* and *Cast Member Development Guide*, including certain recipes and procedures used in the preparation of products. All ideas, concepts, techniques and materials relating to the System, by whoever created, will be the exclusive property of Escape. Escape may require you, certain of your owners, your managers and your or their spouses to sign a confidentiality agreement for the benefit of Escape.

Escape is not obligated to protect its or your rights to use the copyrighted and other proprietary materials nor to protect, indemnify or defend you against claims of infringement. Escape may change its copyrighted material, apply for copyright protection of additional material and require you to cease use of any existing material, all at your cost. You must notify Escape of any infringement of or challenge to your use of any copyrighted or other proprietary material and Escape will have sole discretion to take any action it deems appropriate. Escape has the right to control any litigation involving its intellectual property.

No agreements are currently in effect that significantly limit Escape's rights to use or license the copyrights in any material manner. There are no currently effective determinations of any authority or any court, no pending actions for infringement, opposition or cancellation, and no pending litigation regarding Escape's copyrights in these materials and Escape knows of no infringing uses which could materially affect your use of these materials.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

No particular individual must devote full time to the franchised business although Escape recommends that at least one of the principal owners of the franchisee participate actively in the business. However, the restaurant must be directly supervised at all times by one of two "on-premises" managers who have been certified by Escape as having successfully completed Escape's training program. Except as identified in this Item 15, Escape does not impose any limitations on who you can hire as an on-premises manager. The on-premises managers need not own any equity interest in the franchisee. You must appoint an individual acceptable to us who has successfully completed training to serve as your liaison in dealing with us. In addition, you must devote sufficient time to the management of the restaurant to meet your obligations to Escape. Each individual franchisee, certain individual owners of a franchisee entity and each non-owner manager and their spouses are subject to restrictions on confidentiality and competitive behavior both during and after the term of the Franchise Agreement as discussed in Items 14 and 17. In addition, each individual franchisee and certain individual owners of a franchisee entity and their spouses must sign a Guaranty Agreement in which they assume and agree to honor all obligations of the franchisee under the Franchise Agreement. Escape's form of Guaranty Agreement for the franchise is attached as Exhibit B-2.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must sell only the products and services approved by Escape. All franchisees are currently required to sell a “core” menu of items and may elect to sell one or more items from the System’s full menu. The additional training required for additional menu items is included in the initial training at no additional cost. Additional menu items may require an additional investment. Escape may, in its discretion, add additional authorized products and services that you must offer in the future or may delete or change products or services currently sold, all at your sole expense. Escape may designate certain products and services for sale by restaurants located in particular sites. For example, Escape may classify certain products for sale only by restaurants located in malls.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
(a) Length of the franchise term	Section 4.A	Term is 10 years.
(b) Renewal or extension of the term	Section 4.B	If you are in good standing, you can renew the franchise for additional consecutive 10 year periods.
(c) Requirements for franchisee to renew or extend	Section 4.B	Give Escape timely notice, pay renewal fee as described in Item 6, you and your Principal Owners sign a release of claims against Escape, refurbish or remodel restaurant as required (cost ranging from \$10,000 to \$100,000 depending upon requirement of scope of work, labor and other factors) and complete refresher training as required. “Renewal” means entering into a new Franchise Agreement under then-current standard terms for the renewal term (which may be materially different from the terms of your original contract).
(d) Termination by franchisee	Not Applicable	
(e) Termination by franchisor without cause	Section 4.C	Escape can terminate the agreement upon death, insanity or appointment of guardian for you or any Principal Owner. Termination by Escape in this instance also permits Escape to terminate the Development Agreement.

Provision	Section in Franchise Agreement	Summary
(f) Termination by franchisor with cause	Section 10	Escape can terminate if you default. Termination by Escape in this instance also permits Escape to terminate the Development Agreement.
(g) “Cause” defined—curable defaults	Section 10	You have 10 days to cure: (i) payment defaults (whether to Escape or any third party); or (ii) your failure to report sales. You have 30 days to cure: (i) your failure to construct, furnish or remodel your restaurant; (ii) your failure to operate the restaurant according to the agreement; (iii) your noncompliance with laws; or (iv) your breach of any other obligation under the agreement other than as listed in (h) in this table in Item 17. Termination by Escape in this instance also permits Escape to terminate the Development Agreement.
(h) “Cause” defined—non-curable defaults	Section 10	Your franchise will be terminated without opportunity to cure if you: (i) misuse the system; (ii) breach restrictions of assignment; (iii) default under your lease or otherwise lose the right to possession of your restaurant; (iv) make a material misrepresentation; (v) fail to obtain Escape’s required consent; (vi) abandon your restaurant; (vii) become insolvent; (viii) fail to agree on location of your restaurant; (ix) fail to open restaurant on required opening date; (x) default under any other agreement with Escape; (xi) infringe trademarks or system; (xii) breach your non-compete obligations; (xiii) fail to provide letter of credit when one is required; (xiv) fail to comply with federal anti-terrorism requirements; or (xv) incur four defaults in any 12-month period. Termination by Escape in this instance also permits Escape to terminate the Development Agreement.
(i) Franchisee’s obligations on termination/nonrenewal	Section 10	Termination and nonrenewal obligations include de-identification; return of all materials; payment of all outstanding amounts; allow us to manage your restaurant; pay liquidated damages and non-competition (See (r) in this table in Item 17).
(j) Assignment of contract by franchisor	Section 8.E	There is no restriction on Escape’s right to assign.
(k) “Transfer” by franchisee - defined	Section 8.A	Transfers by you include transfer of contract or assets or change in 33% or more of ownership.
(l) Franchisor approval of transfer by franchisee	Section 8.A	Escape has right to approve all transfers but will not unreasonably withhold its approval.

Provision	Section in Franchise Agreement	Summary
(m) Conditions for franchisor approval of transfer	Section 8.B	You are in compliance with all obligations and current on your payments; you and your Principal Owners sign release and acknowledge that your and their obligations under your Agreement and any Guaranty survive the transfer; new franchisee meets our standards and completes training; transfer fees are paid; obligations are assumed; guaranty and new then-current standard agreement are signed by new franchisee; new franchisee has right to occupy restaurant premises.
(n) Franchisor's right of first refusal to acquire franchisee's business	Section 8.C	Escape can match any offer for your business.
(o) Franchisor's option to purchase franchisee's business	Section 10.E	If the Franchise Agreement is terminated for any reason, Escape has the option to purchase the restaurant assets, at "Fair Market Value" as defined in Section 10.E of the Franchise Agreement and to assume your lease or enter into a lease with you for the Restaurant premises at market rates.
(p) Death or disability of franchisee	Section 4.C	Escape can terminate unless your successor complies with Section 8.B.
(q) Non-competition covenants during the term of the franchise	Section 11.A	Neither you, your general partners or owners holding 10% or more of your equity interests (" Principal Owners "), your managers or your or their spouses can be involved in competing business. All agree not to disparage Escape.
(r) Non-competition covenants after the franchise is terminated or expires	Sections 10.C, 11.B and 11.C	Neither you, your Principal Owners, your managers or your or their spouses can be involved with a competing business for two years within a three mile radius of another Escape franchise; can employ any employee of an Escape franchisee or induce them to leave their employment; can divulge any information about the system or disparage Escape.
(s) Modification of the agreement	Section 14.K	There are no modifications except by written agreement.
(t) Integration\merger clause	Section 14.J	Only the Franchise Agreement and exhibits are binding (subject to state law). Any other promises may not be enforceable. Nothing in the Franchise Agreement or in any related agreement is intended to disclaim the representation made in this Franchise Disclosure Document.
(u) Dispute resolution by arbitration or mediation	Section 14.G	All disputes subject to good faith negotiation. Subject to state law, (i) except for actions for injunctive relief or collection, all disputes must be arbitrated, and (ii) you waive a jury trial.

Provision	Section in Franchise Agreement	Summary
(v) Choice of forum	Section 14.G	Subject to state law, (i) Escape may seek injunctive relief in courts in Franklin County, Ohio, and (ii) all disputes must be litigated or arbitrated in Franklin County, Ohio.
(w) Choice of law	Section 14.G	Ohio law applies, except to extent governed by U.S. Trademark Act of 1946 (as amended) or state law.

THE DEVELOPMENT RELATIONSHIP

This table lists certain important provisions of the Development Agreement. You should read these provisions and the agreement attached to this disclosure document. You may not, however, be invited to sign a Development Agreement.

Provision	Section in Development Agreement	Summary
(a) Length of the development term	Section 1	Varies depending upon development.
(b) Renewal or extension of the term	Not Applicable	
(c) Requirements for developer to renew or extend	Not Applicable	
(d) Termination by developer	Not Applicable	
(e) Termination by franchisor without cause	Not Applicable	
(f) Termination by franchisor with cause	Section 13	Escape can terminate if you default. Termination by Escape in this instance also permits Escape to terminate all franchise agreements with the developer.
(g) "Cause" defined—curable defaults	Section 13.B	You have 10 days to cure payment defaults to Escape. You have 30 days to cure other defaults other than those listed below as defaults that cannot be cured.

Provision	Section in Development Agreement	Summary
(h) “Cause” defined—non-curable defaults	Section 13.A	The following are defaults which cannot be cured: (i) beginning construction or opening a Franchise unit without Escape’s written approval; (ii) insolvency; (iii) breach of non-compete or confidentiality obligations; (iv) unauthorized assignment; (v) certain crimes or offenses by your principals; (vi) default or termination under any other agreement with Escape or its affiliates; (vii) failure to employ key employees within certain timeframes; (viii) failure to strictly adhere to development schedule in Section 1.B can result in termination as provided in 1.B.
(i) Developer’s obligations on termination/expiration	Section 14	Obligations upon termination or expiration include de-identification; return of all materials; payment of all outstanding amounts; termination of royalty rate discounts; and adhering to non-competition and confidentiality requirements. (See (r) in the table in Item 17.)
(j) Assignment of contract by franchisor	Section 10	There are no restrictions on Escape’s right to assign.
(k) “Transfer” by developer—defined	Section 11.A	Transfer includes transfer of contract or assets or ownership change of 33% or more.
(l) Franchisor approval of transfer by developer	Section 11.A	Escape has right to approve all transfers.
(m) Conditions for franchisor approval of transfer	Section 11.A	For approval, (i) you must be in compliance with all obligations; (ii) you must be current on payments; (iii) new franchisee must meet our standards and complete training; (iv) transfer fee must be paid; (v) obligations must be assumed; (vi) guaranty and new agreement must be signed by transferee; and (vii) you must sign a release.
(n) Franchisor’s right of first refusal to acquire developer’s business	Section 11.B	Escape can match any offer for any interest in the development, the agreement or assets.
(o) Franchisor’s option to purchase developer’s business	Not Applicable	
(p) Death or disability of developer	Not Applicable	
(q) Non-competition covenants during the term of the agreement	Section 12.A	You may have no involvement in competing business.

Provision	Section in Development Agreement	Summary
(r) Non-competition covenants after the development agreement is terminated or expires	Section 12.B	You may have no involvement in competing business within exclusive territory for 60 months.
(s) Modification of the agreement	Section 17	There shall be no modifications except by written agreement.
(t) Integration\merger clause	Section 17	Only the agreement and attachments are binding (subject to state law). Any other promises may not be enforceable. Nothing in the Development Agreement or in any related agreement is intended to disclaim the representation made in this Franchise Disclosure Document.
(u) Dispute resolution by arbitration or mediation	Section 18.B, E and F	All disputes subject to good faith negotiation. Subject to state law, (i) except for actions for injunctive relief or collection, all disputes must be arbitrated, and (ii) you waive a jury trial.
(v) Choice of forum	Sections 18.B and F	Subject to state law, (i) Escape may seek injunctive relief in courts in Franklin County, Ohio, and (ii) all disputes must be litigated or arbitrated in Franklin County, Ohio.
(w) Choice of law	Section 18.D	Ohio law applies, except to extent governed by U.S. Trademark Act of 1946 (as amended) or state law.

You should refer to Exhibit C for specific disclosures required by the State Administrator, if any.

ITEM 18

PUBLIC FIGURES

Escape does not use any public figure to promote its franchises.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representation either orally or in writing. If you are purchasing an existing outlet, however, we or the selling franchisee may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Kennard M. Smith at 1099 Sullivant Avenue, Columbus, Ohio 43223, 614/224-0300, Ext. 1002, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For years 2019 to 2021

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2019	37	35	-2
	2020	35	31	-4
	2021	31	28	-3
Company-Owned	2019	3	3	0
	2020	3	3	0
	2021	3	3	0
Reef Kitchens	2019	0	0	0
	2020	0	1	+1
	2021	1	9	+8
Total Outlets	2019	40	38	-2
	2020	38	35	-3
	2021	35	40	+5

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2019 to 2021

State	Year	Number of Transfers
Arizona	2019	0
	2020	0
	2021	0
Arkansas	2019	0
	2020	0
	2021	0
California	2019	0
	2020	0
	2021	0
Colorado	2019	0
	2020	0
	2021	0
Florida	2019	0
	2020	0
	2021	0
Illinois	2019	0
	2020	0
	2021	0
Louisiana	2019	0
	2020	0
	2021	0
Minnesota	2019	0
	2020	0
	2021	0
Mississippi	2019	0
	2020	1
	2021	0
New Jersey	2019	0
	2020	0
	2021	0

State	Year	Number of Transfers
N. Carolina	2019	0
	2020	0
	2021	0
Ohio	2019	0
	2020	0
	2021	0
Oregon	2019	0
	2020	0
	2021	0
S. Dakota	2019	0
	2020	0
	2021	0
Tennessee	2019	0
	2020	0
	2021	0
Texas	2019	0
	2020	0
	2021	0
W. Virginia	2019	0
	2020	1
	2021	0
Wisconsin	2019	0
	2020	0
	2021	0
Total	2019	0
	2020	2
	2021	0

Table No. 3
Status of Franchised Outlets
For years 2019 to 2021

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Nonrenewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Arizona	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Arkansas	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
California	2019	2	0	0	0	0	0	2
	2020	2	0	0	1	0	0	1
	2021	1	0	0	0	0	0	1
Colorado	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Florida	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Illinois	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Indiana	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Louisiana	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Maryland	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Nonrenewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Minnesota	2019	4	0	0	0	0	0	4
	2020	4	0	0	0	0	1	3
	2021	3	0	0	0	0	0	3
Mississippi	2019	6	2	0	0	0	0	8
	2020	8	0	0	0	0	0	8
	2021	8	0	1	0	0	1	6
N. Carolina	2019	2	0	0	0	0	1	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Ohio	2019	5	0	0	0	0	1	4
	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
S. Dakota	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Tennessee	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
W. Virginia	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
Wisconsin	2019	4	0	0	0	0	0	4
	2020	4	0	0	0	0	0	4
	2021	4	0	0	1	0	0	3
U.S.	2019	33	2	0	0	0	2	33
	2020	33	0	0	1	0	1	31
	2021	31	0	1	1	0	1	28
Foreign	2019	4	0	0	0	0	2	2
	2020	2	0	0	0	0	2	0
	2021	0	0	0	0	0	0	0

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Nonrenewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Totals	2019	37	2	0	0	0	4	35
	2020	35	0	0	1	0	3	31
	2021	31	0	1	1	0	1	28

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

Table No. 4
Status of Company and Affiliate-Owned Outlets
For Years 2019 to 2021

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Maryland	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
Ohio	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
W. Virginia	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
Totals	2019	3	0	0	0	0	3
	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3

Table No. 5
Steak Escape Sandwich Grill Projected Openings as of December 31, 2021

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In the Next Fiscal Year
California	0	1	0
Colorado	0	0	0
Georgia	0	0	0

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In the Next Fiscal Year
Illinois	0	1	0
Indiana	0	1	0
Louisiana	0	0	0
Maryland	0	1	0
Mississippi	0	1	0
North Carolina	0	1	0
Ohio	0	1	1
Tennessee	1	1	0
Texas	0	1	0
Total	1	9	1

Reef Kitchens Projected Openings as of December 31, 2021

<u>State</u>	<u>Projected New Outlet In The Next Fiscal Year</u>
Georgia	0
Illinois	0
Oregon	0
Pennsylvania	0
Tennessee	0
Texas	0
<u>Total</u>	<u>0</u>

Table No. 6
Status of Development Agreements
For years 2019 to 2021

State	Year	Development Agreements at Start of Year	Development Agreements Entered Into	Development Agreements Terminated	Development Agreements Not Renewed	Development Agreements Reacquired by Franchisor	Development Agreements Ceased Operation — Other Reasons	Development Agreements at End of the Year
Mississippi	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
W. Virginia	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Foreign	2019	4	0	2	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
Totals	2019	4	0	2	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2

For a list of the names of all franchisees and the business addresses and telephone numbers of all franchised restaurants, see Exhibit E. For a list of the names and last known city, state and telephone numbers of every franchisee (including transferors of restaurants) who has had an outlet terminated, canceled, not renewed or has otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year of Escape or who has not communicated with Escape within 10 weeks of the disclosure document issuance date, see Exhibit F. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. For a list of the names and contact information of all entities with whom Escape currently has Development Agreements, see Exhibit G. Escape is not aware of the existence of any trademark specific System franchisee association.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Escape. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you. During the last three fiscal years, none of our current or former franchisees signed such an agreement.

ITEM 21

FINANCIAL STATEMENTS

Escape's audited balance sheets at December 31, 2021, December 31, 2020, and December 31, 2019, and its related statements of income, retained earnings and cash flows for the periods then ended are in Exhibit H. The auditor used the modified retrospective method in determining the revenue recognition under the current standards of ASC606.

ITEM 22

CONTRACTS

For a copy of the Franchise Agreement and other related agreements proposed for use, see Exhibit B. For a copy of the Table of Contents of the Management Development Guide, see Exhibit B-5.

ITEM 23

RECEIPT

Exhibit J of this Franchise Disclosure Document contains a detachable Receipt of the Franchise Disclosure Document.

EXHIBIT A
STATE ADMINISTRATORS

CALIFORNIA	California Department of Financial Protection and Innovation 320 West 4 th Street, Suite 750 Los Angeles, CA 90013-2344 Telephone: 213/576-7500 Toll Free: 866/275-2677 Fax: 213/576-7179
CONNECTICUT	Securities and Business Investment Division Connecticut Department of Banking 260 Constitutional Plaza Hartford, CT 06103-1800 Telephone: 860/240-8233 Fax: 860/240-8295
FLORIDA	Florida Department of Agriculture and Consumer Services Division of Consumer Services 407 S. Calhoun Street, Suite E1 Tallahassee, FL 32399-0800 Telephone: 850/488-2221 Fax: 850/410-3804
HAWAII	Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant, Room 203 Honolulu, HI 96813 Telephone: 808/586-2722
ILLINOIS	Franchise Bureau Office of the Attorney General Illinois Office of Attorney General 500 S. Second Street Springfield, IL 60601 Telephone: 217/782-1090 Fax: 217/782-7046

INDIANA	Franchise Section Indiana Securities Division 302 W. Washington Street, Room E-111 Indianapolis, IN 46204 Telephone: 317/232-6681 Fax: 317/233-3675
IOWA	Iowa Securities Bureau 340 Maple Des Moines, IA 50319-0066 Telephone: 515/281-4441
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 Telephone: 410/576-7042 Fax: 410/576-6532
MICHIGAN	Consumer Protection Division Franchise Unit Michigan Department of Attorney General G. Mennen Williams Building 525 W. Ottawa Street, 6 th Floor Lansing, MI 48913 Telephone: 517/373-7117 Fax: 517/335-1935
MINNESOTA	Registration Division Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101 Telephone: 651/539-1600 Fax: 651/284-4106
NEBRASKA	Department of Banking and Finance 1230 O Street, Suite 400 P.O. Box 95006 Court, NE 68508 Telephone: 402/471-3445

NEW YORK	Office of the Attorney General Investor Protection Bureau 28 Liberty Street, 15 th Floor New York, NY 10005 Telephone: 212/416-8236 Fax: 212/416-8816
NORTH DAKOTA	North Dakota Securities Department State Capital Building 600 East Boulevard Avenue, 5 th Floor Bismarck, ND 58505-0510 Telephone: 701/328-4712 Fax: 701/255-3113
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Securities Labor and Industries Building 350 Winter Street, Room 410 Salem, OR 97309 Telephone: 503/378-4140
RHODE ISLAND	State of Rhode Island and Providence Plantations Department of Business Regulation Securities Division 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 Telephone: 401/462-9527 Fax: 401/462-9645
SOUTH DAKOTA	South Dakota Department of Labor and Regulation Division of Securities 124 S. Euclid, Suite 104 Pierre, SD 57501 Telephone: 605/773-4823 Fax: 605/773-5953 E-Mail: melita.hauge@state.sd.us
TEXAS	Statutory Document Section Secretary of State 1019 Brazos, Suite B05 P.O. Box 12887 Austin, TX 78701 Telephone: 512/475-1769

UTAH	State of Utah Department of Commerce Division of Consumer Protection 160 E. 300 South, Dept. 146704 Salt Lake City, UT 84114-6704 Telephone: 801/530-6601 Fax: 801/530-6001
VIRGINIA	Commonwealth of Virginia State Corporation Commission Division of Securities & Retail Franchising 1300 E. Main Street, 9 th Floor Richmond, VA 23219 Telephone: 804/371-9051 Fax: 804/371-9911
WASHINGTON	State of Washington Department of Financial Institutions Securities Division 150 Israel Road, SW Tumwater, WA 98501 Telephone: 360/902-8760 Fax: 360/902-0524
WISCONSIN	Division of Securities State of Wisconsin Department of Financial Institutions 4822 Madison Yards Way, North Tower Madison, WI 53705 Telephone: 608/266-8559 Fax: 608/264-7979

EXHIBIT B
FORM AGREEMENTS

See Attached

- B-1 Franchise Agreement
- B-2 Unconditional Continuing Guaranty (to Franchise Agreement)
- B-3 Development Agreement
- B-4 Unconditional Continuing Guaranty (to Development Agreement)
- B-5 Management Development Guide Table of Contents
- B-6 Site Acceptance Request
- B-7 Summary of Acknowledgements

EXHIBIT B-1
ESCAPE ENTERPRISES, LTD.
FRANCHISE AGREEMENT

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**ESCAPE ENTERPRISES, LTD.
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (the “**Agreement**”) is made between and among **ESCAPE ENTERPRISES, LTD.**, an Ohio limited liability company, with headquarters located at 1099 Sullivant Avenue, Columbus, Ohio 43223 (“**Franchisor**”, “**we**”, “**us**”, or “**our**”), and _____, a _____ (“**Franchisee**”, “**you**”, or “**your**”). Collectively the Franchisor and Franchisee are referred to as the “**parties**”. This Agreement is entered into as of _____ (the “**Effective Date**”).

W I T N E S S E T H:

WHEREAS, we have expended a considerable amount of time, effort and money to devise, and are continuing to develop, a restaurant system (the “**System**”) which includes proprietary rights and certain trade names, service marks and trademarks, including “**STEAK ESCAPE SANDWICH GRILL™**” (collectively, the “**Trademarks**”), and certain distinctive policies (the “**Policies**”) for the establishment, construction, development, and operation of restaurants specializing in the sale of System products, services, and related items; and you recognize that we have developed and own these rights; and

WHEREAS, you are also known as Developer’s Affiliate or the Developer identified in the attached **Exhibit A** and are a party to a Development Agreement with us, the date of which is identified in **Exhibit A**, for the Development Area described in **Exhibit A**; and

WHEREAS, we desire to grant you the right to operate a restaurant franchise at a location referenced in Section 7.B(i) and listed in **Exhibit A** and under the Trademark identified on Exhibit A (the “**Restaurant**”), in accordance with, and under, the System; and

WHEREAS, you recognize that the System has established an excellent reputation and goodwill with the public; and, you want to acquire the right to use the System in the operation of the Restaurant; and

WHEREAS, we desire to maintain uniform methods of operations and procedures among our franchisees in order to promote efficiency and ensure the high standards of conformity, quality, and service associated with the operation of a Restaurant as part of the System;

NOW, THEREFORE, in consideration of the mutual covenants contained in this Agreement, the parties agree as follows:

2. THE FRANCHISE.

A. Grant of Franchise. We grant you, and you accept from us, (i) the right to franchise and to operate the Restaurant, (ii) the right to utilize the System in operating your Restaurant, and (iii) a license to use the Trademarks solely in connection with the operation and promotion of your Restaurant, but only at the single location listed in **Exhibit A**. You have no

rights to utilize the System or the Trademarks, or to operate the Restaurant at any other location without our prior written consent which may be withheld in our sole discretion. We (for ourselves and our affiliates) retain the right, in our sole discretion and without granting any rights to you, to (a) ourselves operate, or grant other persons the right to operate, System restaurants at any location and on the terms and conditions as we determine, and (b) ourselves sell, or grant others the right to sell, the products and services authorized for sale at the Restaurant, through other channels of distribution, including mail order, internet sales, or other direct marketing channels, under the Trademarks or otherwise, on the terms and conditions that we determine.

B. Relocation. Notwithstanding any other provision in this Agreement, you may give us at least 60 days' prior written notification that you want to relocate your Restaurant to a location approved by us located at any time (i) if you lose your right to occupy the location of the Restaurant designated in this Agreement by reason of appropriation by any applicable government entity; or (ii) if your landlord at a mall location requires that you relocate within this mall; or (iii) within three years after the Effective Date if you reasonably anticipate that this relocation will result in substantially higher Gross Sales. Upon our approval of any relocation, you will be required to pay a relocation fee that is equal to 50% of the then-current System standard initial franchise fee charged to new franchisees, sign the then current form of Franchise Agreement which will provide for a term of ten years to begin upon the relocation, and pay a renewal fee as described in Section 4.B(vii). The renewal fee will be ratably prorated to reflect any years left in your then current franchise term at the time of relocation.

3. THE SYSTEM.

A. Products. The System is a comprehensive food service operation that specializes in the retail sale (including catering sales) of specialty sandwiches, specialty salads, specialty potatoes, fresh-cut french fries and fresh made lemonade and utilizes certain unique in-store merchandising techniques, with a strict adherence to uniform procedures to offer products of the highest quality.

B. Standards. The foundation of the System, and the essence of the franchise granted by this Agreement, is the adherence by you to our Policies and to our standards of providing for the uniform operation of all restaurants within the System (the “**Standards**”) including, but not limited to, serving only designated food and beverage products; utilizing only required or approved equipment, layouts and designs; emphasizing prompt, courteous service in a clean and wholesome atmosphere; strictly adhering to the designated food and beverage specifications and to our required standards of quality, service and cleanliness in your operation of your Restaurant; and causing the Restaurant to be managed by qualified, trained management personnel who ensure that customers are served an excellent product in an efficient manner with appropriate interaction between the Restaurant employees and customers in order to achieve maximum sales at the Restaurant and overall customer satisfaction with the products and services. Strict compliance by you and our other franchisees with our Standards and our Policies provides the basis for the valuable goodwill and community acceptance of our System (“**Goodwill**”) and is a material consideration for our grant of the franchise to you.

C. Interpretation. The provisions of this Agreement shall be interpreted to manifest the intent of the parties that the Restaurant shall be operated in conformity with our System

through strict adherence to the Standards and Policies, as they exist now, and as they may be modified by us.

4. NATURE OF FRANCHISE.

A. General. The franchise granted is a franchise to utilize the System, including our Trademarks, Policies, Goodwill and Standards, and to benefit from our trade secrets at the single location listed in **Exhibit A**. No provision in this Agreement shall be construed to authorize or permit you to use our Goodwill, Policies, Trademarks, or Standards at any other location or for any other purpose. No provision in this Agreement shall be construed to require us to divulge any secrets, processes, formulae or ingredients to you or anyone. It is expressly agreed that the ownership of all rights, title, and interest in and to our Goodwill, Trademarks, Standards, and Policies are and shall remain solely ours, and all use by you shall inure to us.

B. Confidentiality. You, and all persons controlling, controlled by or under common control with you (your “**Affiliates**”) shall, during and after the term hereof, keep all of our Confidential Information confidential and use the Confidential Information only as necessary to perform your obligations hereunder. “**Confidential Information**” means the terms of this Agreement and all other of our proprietary and confidential information relating to the development and operation of the System including (i) ingredients, recipes and methods of preparation and presentation of authorized food products; (ii) site selection criteria for System restaurants and plans and specifications for the development of System restaurants; (iii) sales, marketing and advertising programs and techniques for System restaurants; (iv) identity of suppliers and knowledge of specifications, processes, procedures and equipment, and pricing for authorized food products, materials, supplies and equipment; (v) knowledge of operating results and financial performance of System restaurants other than the Restaurant; (vi) methods of inventory control, storage, product handling, training and management relating to System restaurants; (vii) computer systems and software programs used or useful in System restaurants; and (viii) any and all other information that we provide you that is labeled proprietary or confidential. “**Confidential Information**” includes the contents of all operations manuals, other manuals and materials designed by us for use with the System. All Confidential Information shall at all times be deemed to be, and shall remain, our sole property; and you shall acquire no right, title or interest by virtue of our authorization pursuant to this Agreement to possess and use our Confidential Information. We will disclose parts of our Confidential Information to you solely for your use in the operation of your Restaurant. The Confidential Information is proprietary and includes our trade secrets. During the term hereof and thereafter (a) you and your Principal Owners (as defined in Section 11.D hereof) may not use the Confidential Information in any other business or capacity (you and your Principal Owners acknowledge such use is an unfair method of competition); (b) you and your Principal Owners must exert your best efforts to maintain the confidentiality of the Confidential Information; (c) you and your Principal Owners may not make unauthorized copies of any portion of the Confidential Information disclosed in written, electronic or other form; and (d) you and your Principal Owners must implement all reasonable procedures we prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information, including the use of nondisclosure agreements with your Principal Owners, officers, directors, and managers. At the end of the term hereof, you and your Principal Owners must deliver to us all such Confidential Information in your possession. Your restrictions on disclosure and use of Confidential Information do not apply to

information or techniques which are or become generally known in the restaurant industry (other than through your own disclosure).

5. TERM OF AGREEMENT.

A. Term.

(i) The term of this Agreement shall begin upon the Effective Date, which shall be the date we sign this Agreement in Columbus, Ohio. The term “**Operations Commencement Date**” shall mean the earlier of the date required for the beginning of operations of the Restaurant as referenced in Section 7.B and as designated in **Exhibit A** or the date upon which the Restaurant actually opens for business to the public (the “**Opening Date**”). The Opening Date will be confirmed in **Exhibit B**. Unless extended or earlier terminated under the terms of this Agreement, the initial term of this Agreement shall expire on the date that is ten years after the Operations Commencement Date (the “**Expiration Date**”).

(ii) If your franchise was acquired pursuant to a permitted transfer, your first day of operations shall be designated as the “**Transfer Date**”. The term of your Franchise Agreement begins upon the Transfer Date and expires on the last day of the term as determined by your assignor’s Franchise Agreement. The Transfer Date and Expiration Date shall be memorialized in **Exhibit B** to the Franchise Agreement that you sign.

B. Renewal Term Option. You may renew your franchise for your Restaurant for an unlimited number of additional successive ten-year terms, provided that before the expiration of the initial or renewal term, whichever applies:

(i) You give us written notice of your election to renew at least six months, but not more than 12 months, before the end of the current term of your Agreement;

(ii) Neither you nor any of your Affiliates are in default of any material term of this Agreement or any other agreement between you or any of your Affiliates and us or any of our affiliates and you and your Affiliates have substantially complied with the material terms and conditions of all such agreements during the term of your Agreement;

(iii) You execute the current standard form of our Franchise Agreement and related documentation provided that we agree to waive the initial franchise fee provided for in such agreement; you and each of your “**Principal Owners**” (as defined in Section 11.D), execute a release, in a form satisfactory to us, of any and all claims you or they may have against us and our owners, members, managers, affiliates, agents and employees in all their capacities and including all claims arising under any federal, state or local law, rule or ordinance;

(iv) You provide us a copy of your lease, sublease, or other written evidence satisfactory to us that you maintain in good standing a right to occupy the Restaurant premises for at least five years from the anticipated renewal date;

(v) Before the beginning of your renewal term, you, at your sole cost and expense, complete or undertake to complete remodeling, repairs, replacements, and redecoration as we may require, in our sole discretion, to cause your Restaurant, including the equipment,

fixtures, furnishings, and furniture, to conform to our design, operation, equipment, structural, sign, graphic, and other applicable standard requirements at the time that you exercise your renewal option;

(vi) You, or a representative approved in writing by us, and all supervisory personnel at your Restaurant, attend and satisfactorily complete any retraining or refresher training program that we may require in our sole discretion; and

(vii) You pay our renewal fee concurrently with your execution of the Franchise Agreement referenced in Section 4.B(iii). For timing of renewals, see Section 4.B(i) and **Exhibit B**. The renewal fee shall equal 50% of the current System standard initial franchise fee charged to new franchisees.

C. Death, Etc. We may elect to terminate your Agreement on the death, insanity, or appointment of a conservator or guardian of the person or estate of: (i) any Franchisee, if Franchisee is one or more individuals, or (ii) any Principal Owner of Franchisee if Franchisee is not an individual, unless the successor to Franchisee or to the interest of any Principal Owner of Franchisee complies with the terms and conditions in Section 8.B. If you reimburse our reasonable, out-of-pocket costs incurred in connection with this event, you do not have to pay the transfer fee listed in Section 8.B.

6. FRANCHISE AND ROYALTY FEES; INTEREST.

A. Initial Franchise Fee. You must pay us an initial franchise fee of \$25,000 in certified funds when you sign the Agreement unless otherwise provided in the applicable Development Agreement. The initial franchise fee is non-refundable.

B. Royalty Fees.

(i) For each calendar month during this Agreement, you must pay us the monthly royalty fee listed in **Exhibit A** or, if applicable, the monthly royalty fee equal to the percentage of Gross Sales listed in the Development Agreement, provided a Development Agreement is in effect. If the Development Agreement expires or is terminated for any reason, you shall pay the standard royalty fees charged for new franchisees under the current Franchise Agreement. Your payment is due, and you must pay us the payment which must be received by us on or before the close of business on the 15th day after the end of each month. We may establish payment systems, as we deem appropriate, for the timely payment of royalty fees and any other payments due in this Agreement, including debit payment programs, credit card payment programs, or electronic fund transfer programs. You must cooperate with us in implementing any system. If the royalty fee provided for in **Exhibit A** is less than our current or future standard royalty fee for new franchisees, you acknowledge that the royalty fee is not transferable; and, upon any Transfer, as defined in Section 8.A, the royalty fee shall be automatically increased to equal the current standard royalty fee for new franchisees. Our current standard royalty fee for new franchisees is 6% of Gross Sales.

(ii) You shall submit a monthly written report of your Gross Sales from the reported month's operation and any additional information which we may reasonably request on our required forms, certified as correct by you. This report and information must be received by

us, together with payment of the royalty fees for the fiscal period described in this Section 5.B, on or before the 15th day of the next succeeding period. We may establish other sales reporting systems, as we deem appropriate, for the accurate and expeditious reporting of Gross Sales. You shall fully cooperate with us in implementing any specified system at the Restaurant and shall, at your expense, equip the Restaurant with the sales recording devices as we may require in connection with the Restaurant, including sales recording devices which will automatically communicate Gross Sales and other information directly to us on at least a daily basis. If you repeatedly fail to cooperate with our automatic communication program to obtain Gross Sales and other sales information, after a written notice from us and the passage of 10 business days, we may assess you a \$25.00/day service charge (“**Service Charge**”) until your Restaurant begins to electronically transmit the information as required. This Service Charge is payable upon demand and is in addition to any other remedies in this Agreement.

(iii) As used in this Agreement, the term “**Gross Sales**” shall mean gross receipts of every kind and nature which arise from or are derived by you or any other person from business conducted or which originated in, on, from or through the Restaurant premises, or from the sale of any products associated with the Trademarks or the System, whether the business is conducted in compliance with or in violation of the terms of this Agreement, on the Restaurant premises or off, whether upon credit or for cash, without reserve or deduction for inability or failure to collect or for any amount required under this Agreement or otherwise expended by you to advertise or promote the Restaurant. Gross Sales shall not include the amount of any sales tax levied upon retail sales and paid to the appropriate governmental authority.

C. Training Fees and Expenses. The training provided by us and the fees payable for the training are described in Section 6.A below.

D. Marketing Fund Fees. For each calendar month during this Agreement, you shall pay us a monthly marketing fund fee of one-half of one percent of Gross Sales for locations in a mall /OR/ one and one-half percent of Gross Sales for locations not in a mall. This marketing fund fee shall be due, and you shall pay this fee which must be received by us by the close of business on or before the 15th day after the end of each month. Upon 90 days’ notice, we may increase the marketing fund fee to equal up to 2% for locations located in a mall /OR/ 3% for locations not located in a mall of Gross Sales.

E. Interest and Late Fee. If you fail to pay the initial franchise fee or the royalty fees or any other sum due us, as provided in this Agreement when due, interest computed at the rate of 5% over the prime rate announced by JP Morgan Chase Bank, or the maximum rate permitted by law, whichever is less, shall be payable on the unpaid amount from the date due until the date paid. If we do not receive this fee or other sum when due, you will be in default (See Section 10). If you fail to pay the royalty fee for any month when due, your royalty fee for this month, and for each subsequent month until your royalty fees are current, shall be increased to 1% over the royalty fee otherwise payable for this month under Section 5.B.

F. Accord and Satisfaction. **All written communications concerning disputed amounts, including any check or other payment instrument indicating that the payment constitutes “payment in full” of the amount owed or that it is tendered with other**

conditions or limitations or as full satisfaction of a disputed amount, must be mailed or delivered to Escape Enterprises, Ltd., ATTN: Accord and Satisfaction Payments Department at our address designated for delivery of notices under this Agreement. If you send a payment with the payment marked “paid-in-full”, “without recourse”, or similar language, we may accept it without losing any of our rights to collect the full amount owed and you will remain obligated to pay any amount owed to us regardless of the utilization of such language.

G. Letter of Credit. At any time when you have failed for two consecutive months to pay the royalty fee due to us within five days of when due, you shall, within five business days of our demand, deliver to us an irrevocable letter of credit (the “**Letter of Credit**”) as security for all of your future monetary obligations to us under this Agreement (the “**Obligations**”). The Letter of Credit shall be in an amount equal to six times the average monthly payments payable by you to us for the preceding 12 months (or for a shorter time if the Restaurant has been operational less than 12 months). You must maintain the Letter of Credit in our favor until the Obligations are performed in full. The Letter of Credit must be issued by an issuer acceptable to us, must conform to the requirements in this Section and shall be in form and substance reasonably acceptable to us. The Letter of Credit must have a term ending at least one month after the last day of the term of this Agreement. The Letter of Credit shall permit partial draws and shall provide for drawing upon presentation by us to issuer of a draft drawn on the issuer and a certificate signed by us stating that you have failed to make timely payment of an Obligation. If you fail to make timely payment of an Obligation, we may draw on the Letter of Credit in an amount not to exceed the amount of this Obligation. Upon any draw, you shall, within 10 days after notice of such draw from us, cause the amount of the Letter of Credit to be reinstated to the amount in effect before a draw. Our rights under this Section are in addition to, and not in limitation of, any other rights or remedies we have.

H. License and Other Fees. With respect to any required POS systems, software licensing, and/or other technical services or provide help or other technical support services for our System, we may, by separate license agreement, make licenses, software, maintenance and/or technical services available at a reasonable and market-competitive fee to you. You must pay us in accordance with the terms of the separate license, maintenance and/or support agreements. If you procure any such required equipment and/or software from third party providers, you must promptly purchase or lease the equipment and secure the software and pay related license, software, maintenance, and/or technical services fees as may be required.

I. Automatic Withdrawal Program. You shall initiate and maintain an automatic withdrawal mechanism whereby we may withdraw amounts due to us hereunder from your depository accounts and shall, from time to time, as we request, provide us with such information and materials as is necessary for us to utilize such mechanism to satisfy obligations hereunder. You shall maintain in the applicable depository accounts funds sufficient to meet your obligations to us hereunder.

7. OBLIGATIONS OF FRANCHISOR.

A. Training.

(i) Director's Training. We will make available to you and your approved personnel our customary management training and indoctrination course (the “**Director Certification Program**”) concerning the operation and management of your Restaurant. At our option the Director Certification Program may include a requirement that each participant attend the opening of a System restaurant. You are required to employ at each Restaurant, at all times, at least two persons who have completed the Director Certification Program to our satisfaction (“**Directors**”). At least one Director must be present at your Restaurant during all hours that your Restaurant is open or operating. During the course of opening your Restaurant, all Directors must be present at the Restaurant pursuant to a schedule acceptable to us. The Director Certification Program must be completed by all required Directors to our satisfaction at least 10 days before the public opening of the Restaurant. The Director Certification Program is conducted at our headquarters in Columbus, Ohio. We may, in our discretion, require you and your management personnel to participate in additional training programs or refresher courses. Depending upon the nature and extent of the additional training that we determine is required, the additional training and refresher courses may be conducted, at our option, at our Columbus, Ohio training restaurant or at your Restaurant. We reserve the right to dismiss from the training program any person whom we do not believe will perform acceptably in a management position.

(ii) Franchisee Training Program. An individual Franchisee or a Principal Owner of a non-individual Franchisee who will not be personally managing the Restaurant on a daily basis for at least the first three full months of its operation will not be considered as one of the required Directors. Such a person may, at our election, be required to participate in, and complete to our satisfaction, our customary training program for non-Director Franchisees (“**Franchisee Training Program**”).

(iii) On-Site Staff Training. Before the public opening of the Restaurant, our training personnel will supervise a staff-training program conducted by you at the Restaurant. The on-site staff-training program continues until the training has been completed to our satisfaction. We may require, as a prerequisite to any on-site staff-training, that your Restaurant be substantially completed and that a Certificate of Occupancy be issued. See Section 6.A(iv) for provisions regarding payment for training.

(iv) Training Fees and Expenses. Other than your travel and living expenses, as set forth below, there is no fee for customary initial training required in connection with the opening of a Restaurant. However, you will pay to us our standard training fees in connection with any non-customary initial training (including repeated courses for individuals who do not complete training to our satisfaction) and any refresher or remedial training required by us. You shall also be responsible for all travel and living expenses incurred by us and our personnel in connection with any training program conducted outside of Columbus, Ohio for your Restaurant opening or otherwise. If we elect to provide any additional training at a site other than Columbus, Ohio, you shall be responsible for all travel and living expenses incurred by us and our personnel involved in providing any additional training. All training fees and related expenses for which you are required to reimburse us are payable by you within 30 days after our

invoice. Neither you nor any of your personnel shall receive any compensation or reimbursement for any service performed or expenses incurred by you or your personnel as a result of any training provided or required by us.

B. Manuals and Other Materials. We shall loan to you our *STEAK ESCAPE® Management Development Guide* and other manuals and guidelines as revised or developed by us from time to time. You shall return all manuals and guidelines which have been superseded. We shall consult with and advise you periodically in connection with the development and operation of the Restaurant. We shall communicate to you our know-how, new developments, techniques and improvements in the areas of restaurant management, food preparation and services, which are pertinent to the operation of the Restaurant in accordance with the System. We shall also make available to you all additional services, facilities, rights and privileges which we make generally available to all of our franchisees operating under the System.

C. Drawings and Construction. We will provide you with our Design Criteria Guide (standard, non-customized, System design overview drawings) and a customized preliminary layout drawing of the Restaurant to aid you in the design of the Restaurant. We will not provide architectural plans or construction drawings. See Section 5.F regarding payment obligations. You shall reimburse us, within 30 days of our request, for any fees charged by our architect in performing the services specified in this Section 6.C.

8. OBLIGATIONS OF FRANCHISEE.

After we execute this Agreement, you agree to perform the following, in addition to your other obligations in this Agreement:

A. Infringement. You acknowledge and recognize our interest in and exclusive right to the System, including our Trademarks, including the name, distinguishing characteristics and style of “STEAK ESCAPE SANDWICH GRILL™” and our other marks, the unique decor of the restaurants within the System, stylized literature, display graphics and promotional materials, marketing methods, operating procedures and training programs. You agree not to infringe upon, use, nor imitate our System or any of our System’s distinguishing characteristics, or cause or allow any other person to infringe upon, use, or imitate our System, or any of our distinguishing characteristics, except in connection with the operation of the Restaurant during the term of this Agreement except if we give our prior written consent which we may withhold at our sole discretion. You accept the franchise granted by this Agreement subject to the covenants, terms, and conditions in this Agreement, including those in Section 11, and you agree to conduct the operation of your Restaurant only at the location identified in **Exhibit A** and to operate your Restaurant in accordance with our System. You also agree to operate the Restaurant under the name “STEAK ESCAPE SANDWICH GRILL” or other name as we, in our sole discretion, may designate for other restaurants in our System. You shall not use the name “STEAK ESCAPE SANDWICH GRILL” or any other name confusingly similar as a component of your corporate or entity name or with any prefix, suffix, or other modifying words, terms, designs, or symbols. Without limiting the preceding provisions in this Section, you agree that you will not use any Trademark (or any abbreviation, modification or imitation of any Trademark) in any manner (including any Internet related use such as an electronic media

identifier, web site name, web page name, or domain name) not expressly authorized by us in writing.

B. Commencement.

(i) The location for the Restaurant shall be identified in **Exhibit A**. However, if no location for the Restaurant is identified in **Exhibit A** at the Effective Date, then, on or before the date identified in **Exhibit A**, you and we shall mutually agree, in writing, as to the location of the Restaurant. We shall respond to your request for approval of a specific location within 30 days of your submission of a complete site acceptance request. Until a location has been agreed to in writing, you shall enter into no binding obligation for the design, construction, outfitting, or operation of the Restaurant, and any non-binding letter of intent for any these obligations shall be subject to our review and approval. Neither our prior approval of a location for the Restaurant nor any information communicated to you regarding our site selection criteria constitutes a warranty or representation of any kind, express or implied, as to the suitability of the location for your Restaurant. Our approval of a location merely signifies that we are willing to grant a franchise for the Restaurant at that location. We shall have no liability for any loss, damages, or other liability arising from or in connection with the selection or approval of a location for your Restaurant. Notwithstanding the provisions of Section 14.F hereof, we may notify you as to our approval or disapproval of any location by e-mail or telephone.

(ii) You shall begin operation of your Restaurant, in compliance with the terms of this Agreement, by the date identified in **Exhibit A**.

(iii) At least two weeks before the Operations Commencement Date, you, in accordance with the design drawings provided by the terms in Section 6.C, shall totally equip and ready the Restaurant for occupancy and for in-store training of personnel. You shall provide construction plans for the Restaurant. The construction plans shall conform to our Design Criteria Guide and shall satisfy all requirements under any lease for the Restaurant as well as all applicable laws and regulations and shall include all necessary seals. Your landlord, if any, and we must approve all construction plans. You shall submit to us all proposed modifications to the approved construction plan in advance of their implementation for our approval. We may, in our discretion, require that we or one of our independent architects inspect your Restaurant to verify site conditions or compliance with local laws, regulations and ordinances, or for any other reason, at your expense. If you request or otherwise acquiesce in our undertaking any action in connection with the construction of your Restaurant including, without limitation, entering into any contracts for work required to be performed, or if we deem it necessary to undertake any action in order to ensure completion of construction of your Restaurant within the time required in this Agreement or under any lease for the Restaurant or for any other reason, which in our good faith judgment requires action, you shall reimburse us for all costs and expenses incurred in connection with any action, including, without limitation, our attorneys' and other professional fees as mentioned in Section 5.F.

(iv) You shall notify us at least 21 days before the earlier of the date that you expect construction to be completed on your Restaurant or the date you expect a certificate of occupancy to be issued; and, we shall, at our option, conduct a final inspection of your Restaurant and the premises. You shall not open a Restaurant for business without our express

written authorization. This authorization may be withheld subject to all of the following conditions being met:

- (a) You and your Affiliates are not in default under this Agreement or any other agreements among you and your Affiliates and us and/or our affiliates; and, for the last six months, you and your Affiliates have not been in default beyond the applicable cure period under this Agreement or any other agreements among you and your Affiliates and us and/or our affiliates.
- (b) You and your Affiliates are current on all obligations due to us and/or our affiliates under this Agreement and/or any other agreement, including the total initial franchise fee due under this Agreement.
- (c) You and your Affiliates have complied with all development schedules under all development agreements with us and/or our affiliates, if any.
- (d) We have determined, in our sole discretion, that you and each of your Affiliates are operating each of your System restaurants and are capable of operating the proposed Restaurant, in accordance with all Franchise Agreements with us and/or our affiliates and in compliance with the System and in accordance with our operations manuals or other requirements and as may be updated and revised by us.
- (e) You have provided us true and accurate financial information regarding your operations and business as we may reasonably request in a format acceptable to us.
- (f) Your architect or contractor has certified to us that the Restaurant was constructed strictly in accordance with the final approved construction plans and in compliance with the Americans With Disabilities Act and that the equipment installed at the Restaurant complies with the equipment specifications in effect as of the date we approved the site for your Restaurant.
- (g) If you acquire a leasehold interest in your Restaurant, that leasehold interest shall be for a term of at least 10 years.
- (h) Your employees have successfully completed all required training to our satisfaction.
- (i) You have correctly completed, executed, and delivered **Exhibit B**.

- (j) You have delivered to us a certificate of insurance complying with the requirements of Section 7.R and have listed us as an additional insured.

You shall begin the operation of your Restaurant upon receipt of our authorization to open and, after the Commencement of Operations, you shall continuously operate your Restaurant as a System restaurant pursuant to the terms of this Agreement during the minimum days and hours that we have specified.

C. Contractors. You shall not utilize any architect, contractor or other person to perform work or furnish materials or equipment in connection with the initial construction of your Restaurant, remodeling or other work in your Restaurant who is not reasonably acceptable to us and competent to perform the work. Before beginning construction, remodeling or other work, you shall inform us of the identity of any architect, contractor or other person to perform work or furnish materials or equipment and provide us with this additional information regarding this person as we may reasonably request. Without limiting the generality of the requirements, we may disapprove any contractor or other person that:

- (i) does not demonstrate to our satisfaction the requisite resources, skill, experience and intent to perform this work or provide these materials or equipment in a timely manner and in accordance with the standards for store construction and operations as may be adopted by us;

- (ii) does not agree to enter into an agreement with you on terms reasonably acceptable to us; or

- (iii) does not meet with the approval of any landlord of the Restaurant premises, where this approval is required.

D. Signs. You shall display prominently and maintain in first class appearance and condition, at your expense, at your Restaurant, all signs of such nature, form, color, number, illumination and size, and containing the legends and symbols, as we shall require, subject to local ordinances and the terms of any space lease for your Restaurant. You shall not display any other signs, decorations or advertising materials at the Restaurant unless you shall have obtained our prior written approval.

E. Working Capital. You shall maintain a sufficient working capital to cover sales tax deposits, pre-paid insurance, utility deposits and business license fees as well as to cover normal operating expenses and needs.

F. Suppliers. You, at your expense, shall acquire all fixtures, equipment, inventory, supplies, software, computer and POS systems and materials designated by us for the operation of your Restaurant. We reserve the right to require that any or all fixtures, equipment, inventory, supplies, software, computer and POS systems and materials be leased or purchased by you only from us or suppliers designated or approved in writing by us, if these suppliers are so designated, or from suppliers selected by you, upon all of the following conditions.

- (i) You shall submit a written report to us for approval of supplier.

(ii) The supplier shall demonstrate to our reasonable satisfaction that it is able to supply, on a continuing basis, a commodity to you that meets our specifications for this commodity throughout the term of the supply.

(iii) The supplier shall demonstrate to our reasonable satisfaction that the supplier is, and will continue to be, in good standing in the business community, financially sound, and offer reliable products and services.

(iv) At our election, the supplier allows our representative to visit their facility and inspect their operations, at your expense.

(v) The supplier shall enter into an agreement, in a form reasonably acceptable to us, pursuant to which the supplier agrees not to disclose any confidential information regarding our System, our operations, or us.

G. Franchisee Association. You shall become a member of any franchisee association that we have formed to consider, discuss, and make recommendations on common issues about the operation of our System and the restaurants in our System. You agree to use your best efforts to attend annually one meeting called by us at our home office in Columbus, Ohio, or at any other location that we may reasonably designate to discuss any problems or issues. You shall pay all expenses that you incur in connection with any of these meetings.

H. Suits. You shall notify us in writing, within 10 days of the commencement of any action, suit, or proceeding, or of the issuance of any order, writ, injunction, award or decree by any court, agency, or other governmental instrumentality, which may adversely affect your financial condition or your ability to meet your obligations hereunder.

I. Maintenance and Remodeling. You shall, at all times, during the initial and any renewal term of this franchise, at your sole expense, maintain your Restaurant premises, including all equipment, signs, and fixtures, in a good, clean, attractive and safe condition and repair, and will replace, repair, repaint, and refurbish the same if necessary. During the initial and any renewal term of your franchise, you shall, upon our request and at our direction, remodel and redecorate your Restaurant as we may require, in our reasonable discretion, to cause the Restaurant, including the equipment, fixtures, furnishings and furniture, to comply with then current standards as required by us as to design, operation, equipment, structure, signage, graphics and otherwise. We will not require substantial remodeling or redecorating to the Restaurant under this Section 7.I more often than once every seven years. Without limiting the foregoing, you acknowledge that you will be required to remodel the Restaurant on or before the date required for next remodel identified on Exhibit A, if any. Before requiring any substantial remodeling or redecorating of your Restaurant, we shall consider in good faith the costs and benefits thereof in light of such factors as (i) the remaining term hereunder and (ii) the Restaurant's volume.

J. Hours and Manner of Operation. You shall, subject to local ordinances, operate your Restaurant at the minimum hours and on the days as may be required under our Standards and any lease and shall maintain sufficient supplies of goods and paper products, and employ adequate personnel to operate your Restaurant at a capacity and efficiency to produce maximum

Gross Sales. You shall maintain and operate your Restaurant in a manner to assure an attractive and wholesome atmosphere.

K. Notice. If so directed by us, you shall display and provide at your franchise location, notices, flyers, or other materials to the effect that your Restaurant is a franchised business operated independently of us; and, at our option, specify the manner in which any interested person may obtain additional information regarding us, the System and our business franchise opportunities. The location, size, design, and contents of the materials shall be as designated by us.

L. Food and Paper Goods. You shall, in the dispensing and sale of food products, and in displaying products and merchandise to be sold, (i) use only containers, cartons, bags, napkins, and other paper goods, packaging, and articles bearing trademarks approved by us that which meet our System's specifications and quality standards, (ii) sell or offer for sale only items which have been approved by us or which are directed by us to be sold by you, (iii) use only flavorings, garnishments, food, and beverage ingredients which meet the System's specifications and quality standards, and (iv) employ only those methods of food handling and preparation which we may designate.

M. Employees. You shall cause all of your employees, while working in the Restaurant, to wear uniforms specified by us and to render competent and courteous service to your customers. While working in your Restaurant, you shall also cause all of your employees to maintain good personal hygiene and to present themselves in a neat and clean appearance in accordance with our standards of store operations.

N. Applicable Law. You, at your sole expense, shall comply with all federal, state and local laws, ordinances, and regulations affecting the operation of your Restaurant. You and we understand and agree that the operation of your Restaurant, maintenance of your Restaurant premises and equipment, conduct and appearance of your Restaurant personnel, and the preparation and sale of products are regulated by government statutes and regulations to help ensure that the products dispensed by the Restaurant shall be wholesome, pure and unadulterated. You agree that you owe an obligation to the customers of your Restaurant, us, and the other System franchisees, to faithfully and fully comply with all applicable governing authority. If any product evidences adulteration or contamination or is in violation of applicable law or regulations, or if the products, premises, equipment, personnel or operation of the Restaurant fails to be maintained in accordance with applicable governmental statutes and regulations, you shall immediately close the Restaurant, suspend selling, destroy all contaminated or adulterated products and eliminate the source and remedy all unsanitary conditions present, re-opening for business only after our inspection and laboratory analysis from samples obtained for that purpose by us evidences compliance with applicable governmental requirements and with our System's Standards. If you fail to comply with these remedial measures, or if there is any repetition of any adulteration or absence of proper sanitation in your Restaurant, you shall pay all of our costs and expenses, including reasonable attorneys' fees, incurred by us in enforcing the provisions of this Section and in obtaining your compliance. The remedies provided in this Section are in addition to and not in substitution for those in other provisions of this Agreement.

O. Best Efforts. You shall diligently and faithfully devote your best efforts to the operation of your Restaurant.

P. Access. You shall allow us, or our authorized agent, to enter the Restaurant on a periodic basis, as we may reasonably deem necessary, at reasonable times for the purpose of examining and inspecting the fixtures, furnishings, equipment, products, supplies and accounting records contained in your Restaurant, and the employees of your Restaurant, for the purpose of taking samples of ingredients and supplies, for examining and inspecting the operation to determine whether you are in compliance with the Standards and Policies of the System and for conducting our periodic store reviews. If any of these inspections or your store review indicates (in our sole discretion) that you have failed to operate your Restaurant in accordance with any of the Standards, Policies and requirements developed by us, or if, on account of the passage of time or otherwise, any of your management personnel or other employees should, in our opinion, require additional training, we may, at our option and in addition to any other remedies available to us in this Agreement or at law, (i) send a representative or representatives to your Restaurant for those periods as we, in our sole discretion, shall deem appropriate until we shall determine that there is compliance with the Standards and Policies of the System, or until we shall determine that you have corrected all problems noted on any store review to our satisfaction, or until the additional training has been completed to our satisfaction, and you shall promptly reimburse us for all of our costs and expenses in connection therewith, including, without limitation, all our representative's travel and living expenses, and/or (ii) require that the management personnel attend additional training at our training restaurant for the periods as we, in our sole discretion, shall deem appropriate until the additional training or refresher courses have been completed to our satisfaction, and all of the expenses incurred by us, you or your personnel incurred while attending any of these additional training classes shall be paid by you.

Q. No Rights. You shall acquire no right to use or license the use of any name, mark or other intangible property right granted or to be granted in this Agreement, except the license expressly granted hereunder in connection with the operation of your Restaurant.

R. Insurance. You shall, at all times, maintain the insurance that may be required by the terms of any lease for the Restaurant premises and, in addition, you agree to carry the following insurance:

(i) Commercial Liability Insurance under a comprehensive general liability form that includes coverage for bodily injury and property damage on an occurrence basis with coverage that includes product/completed operations with policy limits of at least \$1,000,000 primary and \$2,000,000 umbrella/excess liability.

(ii) Employer's Liability Insurance and Worker's Compensation with coverage equal to the greater of (a) \$100,000; or (b) the amount required by law in the state in which your Restaurant is located. This coverage shall be in effect for all of your employees who participate in the training program referred to in Section 6.A of this Agreement.

(iii) Builder's Risk Insurance with coverage equal to the greater of replacement costs of your Restaurant structure and improvements, based on current market value or the amount required by your lending institution.

(iv) Fire, Vandalism and Extended Coverage Insurance with limits of insurance of at least the full replacement value of your Restaurant, its furniture, fixtures and equipment.

The insurance coverage shall reflect that we are listed as an additional insured under the commercial general liability coverage; and, if we have an insurable interest, that we are an additional insured, as our interests may appear, under the fire, vandalism and extended coverage insurance. We may reasonably increase the minimum coverage required and require different or additional kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards or other relevant changes in circumstances. You agree to furnish certificates of insurance or, if we so request, copies of the insurance policies, to us, both before opening within the time period as provided in Section 7.B(iv)(j) and at least annually thereafter. All policies of insurance must be renewed at least 30 days before expiration. All policies of insurance must contain endorsements requiring the insurer to give us at least 10-day advance written notice before terminating, cancelling, or making changes in any policy. All policies of insurance shall be written by an insurance company with an “A” or better rating by the latest edition of Best’s Insurance Rating Service. No policy of insurance shall provide for a deductible amount which exceeds \$10,000 and your co-insurance, under any policy of insurance, shall be 80% or greater.

S. Indemnity.

(i) General. You agree, at all times, to indemnify, defend (with counsel approved by us), and hold us, our subsidiaries, affiliates, employees, members, managers, agents, and designees, successors and assigns and their respective past and present employees, members, officers, managers, directors, agents, and representatives (collectively “**Indemnitees**”) harmless (to the fullest extent permitted by law), from and against any and all “**Losses and Expenses**” (as defined in Section 7.S(ii) below) incurred in connection with any action, suit, proceeding, claim, demand, investigation or inquiry (formal or informal and whether or not a formal proceeding or action had been instituted) (the “**Claim**”) by or against Indemnitees or any settlement of the Claim arising out of or resulting from or connected with (a) the development, construction, use, or operation of your Restaurant or any fixtures, equipment, goods, merchandise, or products used or sold in or at your Restaurant, or (b) your breach of any of your obligations hereunder; provided, however, that you shall have no obligation to indemnify us from and against any costs, expenses, attorneys’ fees, losses, liabilities, damages, claims, and demands to the extent the same arises from or relates to any defect in a product or the design of any product manufactured and supplied by us. We agree to give you notice of Claims against us and, upon request, shall furnish you with copies of any documents about the Claim as you may reasonably request. However, your obligations to indemnify, defend, and hold us harmless will not apply to any damages, costs, or expenses directly caused by our grossly negligent, willful, or reckless actions.

(ii) Losses and Expenses. As used in Section 7.S(i) above, the phrase “**Losses and Expenses**” means any and all costs, expenses, attorneys’ fees, losses, liabilities, damages, claims and demands of every kind and nature, and shall include, but not be limited to, all compensatory damages, fines, charges, court costs, settlement amounts, judgments, compensation for damages to our reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space and the costs of changing,

substituting or replacing the same, and any and all expenses of recall, refunds, compensation, public notices and other amounts incurred in connection with the matters described.

T. Periodic Financial Statements. You agree to submit monthly profit and loss statements for your Restaurant to us. You agree to also submit quarterly balance sheets to us. All profit and loss statements and balance sheets shall be in a form acceptable to us and shall be submitted to us within 15 days after the end of the period covered by the report. If you fail to submit these reports when due, or if you fail to submit when due any Gross Sales reports, sales tapes or any other information or materials required to be submitted hereunder, we may assess an administrative charge of \$25.00 per each day that any such statement is overdue to help defray additional expenses payable upon demand.

U. Annual Financial Statements. You agree, at your expense, to deliver to us, within 90 days after the end of each fiscal year of the Restaurant, an income statement from the year's operation and a balance sheet at year-end. Such financial statements, if requested by us, shall be prepared by a certified public accountant and certified as being true and correct by you or your chief financial officer. If you fail to deliver these statements when due, we may assess an administrative charge of \$25.00 per each day that any such statement is overdue to help defray additional expenses, payable upon demand.

V. Books and Records. You shall keep complete and proper books of account and records in accordance with generally accepted accounting principles, which accurately show the Gross Sales of the Restaurant. You shall preserve all of your books and records, including, without limitation, POS system tapes for seven years from the date of their creation. All of your books and records shall be based upon the bookkeeping format and forms which we shall furnish to you or which shall otherwise be approved in writing by us. You will permit us or our authorized agents to audit your books and records, including POS system tapes for all prior fiscal periods, at reasonable times during the term of this Agreement and for one year after expiration or earlier termination. At our option, and upon at least 10 days' prior notice, you shall make all of your books and records available at our corporate headquarters for the purpose of conducting an audit of your books and records. If any audit discloses that your reported Gross Sales have been understated, you agree to immediately pay to us the amount due, together with interest as required in Section 5.B of this Agreement. In addition, if the audit discloses that your reported Gross Sales have been understated for any reporting period by 3% or more, or if our audit discloses that you have failed to maintain your books of account and records as required under this Agreement, you shall immediately reimburse us for any and all expenses connected with the audit.

W. Taxes. You agree to pay to us, promptly when due, the amount of all sales taxes, use taxes, personal property taxes and similar taxes imposed upon, required to be collected or paid by us on account of services or goods furnished by us to you through sale, lease or otherwise, or on account of collection by us of the initial franchise fee, royalty fees, marketing fund fees, or any other payment to us called for by this Agreement. If you are required by state or local law to file periodic sales tax returns or pay sales tax, copies of all of your returns shall be provided to us within 10 days after our written request.

X. Advertising. Recognizing the value of advertising and the importance of standardized advertisements and promotions to promote the acceptance and public image of the System:

(i) We may make available to you, subject to your reimbursement to us for our costs relating thereto, advertising or promotional materials which you may use in connection with the promotion of your Restaurant. You agree to make use of these materials only as expressly authorized by us and agree not to alter or otherwise make any changes without our prior written consent.

(ii) You agree to, before publishing or disseminating any advertising or promotional material, other than the material expressly authorized by us under this Agreement, obtain our written consent to the form and content of the advertising or promotional materials. Subject to receiving this consent, you may use any source in preparing, printing or producing advertising or promotional materials, provided, however, the materials shall adhere to the advertising standards as may be required by us.

(iii) You agree to spend an amount at least equal to the Pre-Opening Advertising Amount for your own local and regional advertising and promotion, as approved by us as set forth in this Agreement, prior to the opening of your Restaurant. The **“Pre-Opening Advertising Amount”** shall equal an amount to be determined by Franchisor of between \$4,000 and \$10,000. Franchisor shall notify you of the Pre-Opening Advertising Amount within a reasonable time after the determination of the location of your Restaurant. You agree to spend an amount at least equal to the Minimum Advertising Amount for your own local and regional advertising and promotion, as approved by us as set forth in this Agreement, on a monthly basis from and after the opening of your Restaurant. The **“Minimum Advertising Amount”** shall equal 2% of Gross Sales. Advertising expenditures which may be credited against the Pre-Opening Advertising Amount or the Minimum Advertising Amount include: (a) on-line advertising expenditures, and (b) amounts spent for advertising media, such as television, radio, newspaper, billboards, posters, direct mail, collateral and promotional items, advertising on public vehicles, (transit and aerial); and, if not provided by us, the cost of producing approved materials necessary to participate in these media. Advertising expenditures to be credited against the Pre-Opening Advertising Amount or the Minimum Advertising Amount do not include amounts spent for items which we, in our reasonable judgment, deem inappropriate for meeting the minimum advertising requirement, including permanent on-premises signs and menu boards, lighting, menus, logo items, personnel salaries, or administrative costs, transportation vehicles (even though these vehicles may display the Trademarks), discounts, free offers, and employee incentive programs.

(iv) You understand and agree that cooperative advertising with other franchise owners is desirable, appropriate and fundamental to the success of a multiple restaurant operation; and you acknowledge and recognize the benefits to be derived from cooperative advertising. At our request, you agree to join and participate with us or other franchisees in local, regional, or national advertising cooperatives and to execute any documentation necessary to the establishment and operation of these cooperatives. If the cooperative participants do not reach an agreement as to the terms of an advertising cooperative agreement within a reasonable time, you agree to execute our recommended advertising cooperatives agreement. You shall

contribute to these advertising cooperatives the amount as is determined by the advertising cooperative, not to exceed 4% of Gross Sales. Your contribution to these advertising cooperatives shall be credited against your obligations to pay the Pre-Opening Advertising Amount or the Minimum Advertising Amount under Section 7.X(iii) hereof.

(v) Upon request and subject to your reimbursement to us for our costs related thereto, we agree to provide to you our normal and customary advertising materials suitable for the production of handbills, bag attachments, and newspaper advertising. You, at your sole expense, may utilize our television and radio advertising materials, if any (for your sole benefit or jointly with other franchisees of ours), by dealing directly with our advertising agency.

Y. Security. You agree to and shall cause your spouse and all individuals owning, directly or indirectly, any interest in a non-individual franchise and each of their spouses, to execute and deliver to us a guaranty of your obligations in this Agreement in form and substance acceptable to us. You represent and warrant that **Exhibit C** contains a true and complete listing of all such individuals and that the other information contained in **Exhibit C** is true, correct and complete.

Z. Franchisee Liaison. You shall at all times designate an individual satisfactory to us to serve as your liaison with us for all matters arising under or pursuant to this Agreement or relating to the franchise granted. Your original liaison is set forth on **Exhibit A**. Upon reasonable cause, we may require that your liaison be replaced with another individual satisfactory to us. The liaison shall be an officer, general partner or manager of yours, shall be substantially involved in the operation of the Restaurant, shall be capable of contractually binding you as Franchisee and shall have successfully completed the Director Certification Program or the Franchisee Training Program.

AA. Anti-Terrorism Compliance. You, the Principal Owners and your Affiliates agree to comply with and/or 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, Principal Owners and your Affiliates certify, represent, and warrant that none of your property or interests is subject to being “blocked” under any of the Anti-Terrorism Laws and that you, Principal Owners and your Affiliates are not otherwise in violation of any of the Anti-Terrorism Laws.

(i) For the purposes of this Section 7.AA, “**Anti-Terrorism Laws**” means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority (including without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

(ii) You, the Principal Owners and your Affiliates certify that none of you, the Principal Owners and your Affiliates, employees, or anyone associated with you is listed in the

Annex to Executive Order 13224. (The Annex is available at <http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>.) You agree not to hire any individual who is listed in the Annex.

(iii) You, the Principal Owners and your Affiliates certify that you have no knowledge or information that, if generally known, would result in you, the Principal Owners, your Affiliates, your employees, or anyone associated with you to be listed in the Annex to Executive Order 13224.

(iv) You, the Principal Owners and your Affiliates are solely responsible for ascertaining what actions must be taken by you to comply with the Anti-Terrorism Laws, and you specifically acknowledge and agree that your indemnification responsibilities set forth in Section 7.S of this Agreement pertain to your obligations under this Section 7.AA.

(v) Any misrepresentation by you under this Section 7.AA or any violation of the Anti-Terrorism Laws by you, the Principal Owners, your Affiliates or your employees shall constitute grounds for immediate termination of this Agreement and any other Agreement you have entered with Franchisor or its affiliates.

9. TRANSFER AND ASSIGNMENT.

A. General.

(i) You shall neither sell, assign, transfer, pledge, or encumber, by operation of law or otherwise, (a) this Agreement, (b) the franchise granted under this Agreement, (c) your fee or leasehold interest in the real estate upon which the Restaurant is located, with or without this Agreement, (d) substantially all of the assets used in the operation of your Restaurant, with or without this Agreement, (e) the Franchisee, (f) a Controlling Percentage of the ownership interest in Franchisee, or (g) any another interest under this Agreement (in each case, a **“Transfer”**), nor suffer or permit any Transfer to occur, without our prior written consent. Any merger by, with or into Franchisee, any consolidation, reorganization, or dissolution involving Franchisee, or any pledge, hypothecation, sale or other transfer, singly or in the aggregate, of equity interests constituting a Controlling Percentage (as defined below) of the equity interests of Franchisee or the issuance of additional equity interests representing in the aggregate a Controlling Percentage of the equity interests of Franchisee, or any change in the general partners of Franchisee, shall constitute a Transfer for all purposes of this Section 8. The term **“Controlling Percentage”**, as used in this Agreement shall mean the ownership of stock or other equity interest possessing, and of the right to exercise, at least 33% of the total combined voting power of all classes of stock or other equity interest of such entity, issued, outstanding and entitled to vote, whether this ownership is direct or indirect through ownership of another entity or otherwise. Any Transfer not having our prior written consent shall be null and void and shall constitute a material breach of this Agreement.

(ii) Our consent to any Transfer shall not be deemed a consent to any subsequent Transfer.

B. Consent. We shall not unreasonably withhold consent to a Transfer; provided, however, that our consent to any Transfer shall be subject to such terms and conditions, as we may impose in our sole discretion including, but not limited to, each of the following:

- (i) The transferee agrees to operate the Restaurant as a System franchise;
- (ii) All obligations of Franchisee created by this Agreement and all other related franchise documents and the relationship created under this Agreement are assumed by the transferee;
- (iii) All ascertained or liquidated debts of Franchisee and your Affiliates to us or any of our affiliates are paid in full to us before any Transfer;
- (iv) Neither Franchisee nor any of your Affiliates are in default of any provision of this Agreement or any other agreement between you or any of your Affiliates and us or any of our affiliates;
- (v) The transferee satisfactorily completes the training required of new franchise owners on our current terms before the effective Transfer Date (note that training will not begin until you have provided us with evidence reasonably satisfactory to us that all preconditions to our consent to the Transfer have been met, including execution by transferee of the Franchise Agreement anticipated by clause (vii));
- (vi) We are satisfied that transferee meets all the requirements of our new franchise owners including, but not limited to, good reputation and character, business experience, operational ability, financial strength, and other business considerations. Franchisee acknowledges and agrees that (y) among the business factors that are deemed to be reasonable for us to consider with regard to a request for consent to a Transfer is the direct or indirect involvement by the proposed transferee, or its owners, in any manner with any business that Franchisor, in its sole discretion, deems to be competitive with the System's business, and (z) it is deemed to be reasonable for us, on a case-by-case basis, to object to a proposed transfer by you to a transferee which is itself involved or which is owned by parties which are involved, directly or indirectly, in any manner with any business that we, in our sole discretion, deem to be competitive with the System's business;
- (vii) The transferee executes or, in appropriate circumstances, causes all necessary parties to execute our then-current standard form of franchise agreement for the Restaurant and the other ancillary franchise agreements being required by us for new franchise owners on the date of Transfer, including guaranties by the Principal Owners of transferee;
- (viii) You and all Principal Owners and, if there has been a transfer of equity ownership of Franchisee, the transferor(s) of the equity ownership, execute a mutual general release, in a form satisfactory to us, of any and all claims against us, and our members, managers, affiliates, employees and agents; provided that such release shall not release any such person from its obligations hereunder or under the Guaranty with respect to the operation of the Restaurant after the Transfer;

(ix) Except as provided in Section 4.C of this Agreement, upon execution of the Franchise Agreement anticipated by clause (viii), you will pay to us a non-refundable transfer fee in the amount of \$10,000 (or, if the Transfer is among the then existing owners of Franchisee as set forth on Exhibit C, \$2,000); and

(x) The transferee provides us documentary evidence satisfactory to us that transferee has the continuing right to occupy the Restaurant premises for a term corresponding with the term of the franchise granted to transferee or at least five years.

C. First Refusal. If you receive a *bona-fide* offer for, and wish to consummate, any Transfer requiring our consent pursuant to this Section 8, you shall first provide us with a written copy of such offer, and we shall have the option, exercisable within 30 days after written notice and receipt of a copy of the offer and the other information required pursuant to this Section, to purchase the same interests identified in the offer free and clear of all liens or adverse claims, on terms and conditions substantially identical to the terms and conditions in the offer of the third party. In order that we have information sufficient to enable us to determine whether to exercise our option, you agree to deliver to us, with the notice, true and correct financial statements as of the end of your most recent fiscal year and such other information about your business and operations that you have provided to the third party. If we do not exercise our option, you may, within 90 days from the expiration of the option, consummate the Transfer to the third party, provided we have consented to this Transfer as required by this Section 8. Any material change in the terms of the offer from the third party before closing of the Transfer shall constitute a new offer, subject to the same right of first refusal to us as in the case of the initial offer. Failure by us to exercise this option shall not constitute our waiver of any other provision of this Agreement, including all of the requirements of this Section 8, for the proposed Transfer.

D. Advertising. You shall not, without our prior written approval, refer to “STEAK ESCAPE SANDWICH GRILL” in any advertising for the sale of the franchise granted under this Agreement.

E. Franchisor. We shall have the right to sell, assign, or transfer all or any part of our rights herein to any person or legal entity.

10. OPERATION IN CERTAIN EVENTS.

Subject to the provisions of Section 10.E, in order to prevent any interruption in the business of your Restaurant which would cause harm to your business and depreciate the value of your business and of the System, you authorize us, in the case of your death or incapacity, or if we elect to manage the Restaurant as provided in Section 10.E, to operate your Restaurant for the time we deem necessary and practical, up to six months, and without waiver of any other rights or remedies we may have under this Agreement. All monies from the operation of your Restaurant, during this period of operation by us, shall be kept in a separate account, and the expenses of the Restaurant, including reasonable compensation and expenses for our representatives, shall be charged to this separate account. If we, in our sole discretion, temporarily operate the Restaurant, as provided in this Section, you agree to save harmless and fully indemnify us and any of our representatives who may act under this Agreement from and

against all costs, expenses, attorneys' fees, losses, liabilities, damages, claims and demands arising from or related to this operation.

11. DEFAULT AND TERMINATION.

A. Events of Default. The occurrence of any of the following events shall constitute a default under this Agreement:

(i) If you misuse the System or the Trademarks, or otherwise materially impair the Goodwill, or if you use at the Restaurant, any names, marks, systems, insignia or symbols not authorized by us.

(ii) If you fail to remit to us any payments required under this Agreement when due.

(iii) If you fail to construct your Restaurant in accordance with our plans and specifications, to equip your Restaurant in accordance with our standards and specifications, to remodel your Restaurant as required or to maintain your Restaurant in accordance with the standards and policies of the System.

(iv) If you fail to operate your Restaurant as a System restaurant, or otherwise fail to operate your Restaurant in accordance with the terms of this Agreement, our Standards and Policies and our operations manual, technical manual, or any other manuals designated by us, or fail to use products, ingredients and methods of preparation which conform to our designated specifications and standards, or shall fail in any way to maintain our standards of quality, appearance and service in the operation of your Restaurant or otherwise fail to comply with your obligations under this Agreement; provided, however, that the terms of any manual shall not supersede any provision contained in this Agreement.

(v) If you attempt to effect any Transfer other than in accordance with Section 8 of this Agreement.

(vi) If you are in default under any lease or sublease of your Restaurant site or you lose the right to possession of your Restaurant for any reason.

(vii) If you make, or have made, any material misrepresentation to us in connection with obtaining this Agreement or in conducting the business franchised and licensed under this Agreement.

(viii) If you fail to obtain our prior written consent or approval where this is expressly required by this Agreement.

(ix) If you “**abandon**” your Restaurant. For purposes of this Agreement, “**abandon**” shall mean your failure, at any time during the term of this Agreement, to keep your Restaurant open and operating for business during the minimum days and hours specified by us, for an aggregate of four days in any 30-day period.

(x) If you, or any person controlling, controlled by or under your common control with you, (a) shall become insolvent by reason of an inability to pay its debts as they mature; (b) shall be adjudicated bankrupt; (c) shall file or have filed against it a petition in bankruptcy, reorganization or similar proceeding under the bankruptcy laws of the United States; (d) shall have a receiver, permanent or temporary, of its business, assets or property (the “**Business**”), or any part thereof, appointed by a court of competent authority; (e) shall request the appointment of a receiver; (f) makes a general assignment for the benefit of its creditors; (g) has a final judgment against it in the amount of \$10,000 remain unsatisfied of record for 30 days or longer; or (h) has its bank accounts or property attached and the attachment proceedings are not dismissed within a 30-day period; (i) has an execution levied against its Business or property; or (j) has a suit to foreclose any lien or mortgage against the Restaurant, the premises of your Restaurant or the equipment on the premises instituted and not dismissed within 30 days.

(xi) If you fail to conduct and govern your business according to the laws, ordinances and regulations of any federal, state, county, or city government having jurisdiction over the franchise business.

(xii) If the parties fail to agree as to the location of your Restaurant by the date specified in **Exhibit A**, unless this failure is caused solely by our act or omission, or if you fail to open your Restaurant for business by the date specified in **Exhibit A** except as provided for in Section 14.A of this Agreement.

(xiii) If you or any of your Affiliates are in default under any other franchise or other agreement among us or any of our affiliates and you or any of your Affiliates.

(xiv) If you fail without reasonable cause to timely pay any third party creditor, including, without limitation, any lender or supplier.

(xv) If your sales polling equipment ceases to properly report sales to us.

(xvi) If you breach your obligations listed in Section 5.H, Section 7.A, Section 7.AA or Section 11 of this Agreement.

(xvii) If you breach any other of your obligations in this Agreement.

Without limiting any other rights we may have pursuant to this Agreement; and in addition to the provisions of Section 7.Y of this Agreement, we may require, at any time when you are in default of your obligations under this Agreement, as a prerequisite to the continuation of the term of this Agreement, that you meet with us at a location designated by us to discuss this situation.

B. **Remedies.** Upon the occurrence of any of the events set forth in Section 10.A, we may, without prejudice to any other rights or remedies contained in this Agreement or provided by law or equity, terminate this Agreement as follows:

(i) Termination shall be effective 10 days after we give written notice to you of any event listed in Sections 10.A(ii), (xiv) or (xv), if the default is not cured within this 10-day period. In addition to our option to terminate this Agreement upon the occurrence of an event

described in Section 10.A(xv), we are authorized to take whatever steps are reasonably necessary to repair or replace your sales polling equipment including, without limitation, engaging an appropriate person to make all necessary repairs and replacements; and, in this event, you agree to reimburse us for all of our costs and expenses incurred in connection with this Agreement within 30 days after invoice.

(ii) Termination shall be effective 30 days after written notice is given by us to you of any of the events listed in Sections 10.A(iii), (iv), (xi) or (xvii), if the default is not cured within this 30-day period. If the nature of any default arising from the events in Sections 10.A(iii), (iv), (xi) or (xvii) cannot reasonably be cured within 30 days after notice, you shall have additional time to cure this default as is reasonably required; provided, however, that you promptly begin to cure within this 30-day period and diligently pursue the cure to completion within 90 days after this notice.

(iii) Termination shall be effective immediately and without prior notice upon occurrence of any of the events specified in Sections 10.A(i), (v), (vi), (vii), (viii), (ix), (x), (xii), (xiii) or (xvi), unless notice is required by law, in which event termination shall be effective after this notice required by law is given by us to you.

(iv) Unless there is another provision in this Agreement to the contrary, termination shall be effective immediately upon notice, for the fourth notice given in any 12-month period for any of the events specified in Section 10.A, unless notice of termination is required by law to be given by us to you; and in this case, termination is effective upon giving the required notice.

C. Termination Responsibilities. If this Agreement terminates for any reason, or upon expiration of this Agreement, or upon any Transfer:

(i) You agree to immediately and permanently discontinue your use of all trade names, trademarks, signs, menu boards, graphics, structures, and forms of advertising depicting us, our symbols, trademarks, business and products; shall change your name to one not including or similar to the name “STEAK ESCAPE SANDWICH GRILL” and shall cease the sale of grilled sandwiches, freshly made lemonade and freshly-cut french fries.

(ii) So far as you may lawfully do so, you agree to immediately cause the removal of or changes in signs, menu boards, graphics, buildings and structures as we shall reasonably direct to eliminate our name and Trademarks from your Restaurant and to effectively distinguish your Restaurant from its former appearance and from any other restaurant in the System. If you, on request, fail or omit to make or cause the changes to be made, then we shall have the right to enter upon your Restaurant’s premises without the necessity of legal process, and without being guilty of trespass or any other tort, and without prejudice to our other rights and remedies, for the purpose of making or causing the changes to be made at your expense.

(iii) You shall, at our option, also remove and deliver to us, at your expense, all or any part of the paper products and other articles bearing any of our Trademarks.

(iv) You agree to immediately return to us the *STEAK ESCAPE® Management Development Guide*, and all other manuals, materials, brochures, forms, charts, films, tapes and other materials pertinent to the operation of the Restaurant, which have been furnished by us.

(v) You shall cancel your listing in the Yellow Pages or any other directory or listing indicating an affiliation with us and, if so directed by us, you agree to notify the local telephone company that all calls placed to the Restaurant premises are to be forwarded to us.

The rights in this Section shall be in addition to any other rights or remedies that we may have under this Agreement or otherwise.

D. Liquidated Damages. If this Agreement terminates for any reason, other than expiration of the term hereof or termination by you as a result of our default hereunder, you must pay us liquidated damages equal to the average monthly royalty fees payable during the 12 months immediately preceding termination (or such shorter period as the Restaurant may have been operational), multiplied by the lesser of (a) 24 or (b) the number of months remaining during the term of this Agreement. We both acknowledge and agree that it will be impracticable to determine precisely the damages Franchisor would incur from this Agreement's termination and the loss of cash flow from royalty fees due to, among other things, the complications of determining what cost, if any, Franchisor might have saved and how much the royalty fees would have grown over what would have been this Agreement's remaining term. We both consider this liquidated damages provision to be a reasonable, good faith, pre-estimate of those damages. This liquidated damages provision pertains only to Franchisor's damages from the loss of cash flow attributable to the non-payment of future royalty fees. It does not cover any other damages, including past due amounts, damages to Franchisor's reputation with the public and landlords and damages arising from any violation of any provision of this Agreement. You and each of your Principal Owners agree that the liquidated damages provision alone does not give Franchisor an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement and that the payment of liquidated damages hereunder will be in addition to any other rights and remedies we may be entitled to pursue.

E. Our Option to Manage Your Restaurant. Upon the occurrence of any of the events set forth in Section 10.A or upon your failure to exercise any option to renew the term hereof, we may, without prejudice to any other rights or remedies contained in this Agreement or provided by law or equity, elect to manage the Restaurant on your behalf for a period of up to six months under the terms set forth in Section 9 hereof. The term hereof shall, if applicable, be deemed extended to cover the term of our management hereunder. Notwithstanding the provisions of this Section 10.E or the provisions of Section 9 hereof to the contrary, at any time when the Restaurant is subject to a Small Business Administration loan, (i) we shall exercise our election hereunder to manage the Restaurant on your behalf only (a) upon the occurrence of any of the events set forth in Section 10.A, or (b) upon your death or incapacity; (ii) upon any such election, we shall consult with you as requested by you from time to time as to your ability to resume management of the Restaurant; and (iii) we shall allow you to resume management of the Restaurant once the circumstances triggering our election have been resolved to our reasonable satisfaction.

F. Our Option to Purchase Your Restaurant. Upon termination of this Agreement (but not upon expiration of the term hereof at the end of the initial or any renewal term hereunder), we shall have the right, exercisable by giving notice thereof (“**Appraisal Notice**”) within 10 days after the date of such termination, to require that a determination be made of the “Fair Market Value” (as defined below) of all the assets of your Restaurant which you own or control, including inventory of non-perishable products, materials, supplies, furniture, equipment, signs and any and all improvements, and fixtures, but excluding the leasehold or fee interest in the real estate on which the Restaurant is located, any cash and short-term investments and any items not meeting our specifications for the System (the “**Purchased Assets**”).

Upon delivery of the Appraisal Notice, you may not sell or remove any of the assets of your Restaurant from the premises (other than in the ordinary course of business) and must give us, our designated agents and the “Appraiser” (as defined below) full access to your Restaurant and all of your books and records at any time during customary business hours in order to conduct inventories and determine the purchase price for the Purchased Assets.

The fair market value of the Purchased Assets (the “**Fair Market Value**”) shall be determined by consultation between you and us to establish the amount which an arm’s length purchaser would be willing to pay for the Purchased Assets, assuming that the Purchased Assets would be used for the operation of a System restaurant under a valid franchise agreement reflecting the then-current (or if we are not offering franchises at that time, then the most recent) standard terms upon which we offer franchises for System restaurants. Under no circumstances will any value be attributed to any goodwill associated with the Marks or any value attributed to the System (all of which you acknowledge to be owned by us), provided, however, value may, if appropriate, be attributed to the going concern value of your Restaurant. If you and we are unable to agree on the Fair Market Value within 15 days after the Appraisal Notice, then Fair Market Value will be determined by a member of a nationally recognized accounting firm (other than a firm which conducts audits of our or your financial statements) mutually selected by you and us who has experience in the valuation of restaurant businesses (the “**Appraiser**”). If we are unable to agree on the Appraiser within 30 days after the Appraisal Notice, either party may demand the appointment of an Appraiser be made by the director of the Regional Office of the American Arbitration Association located nearest to Columbus, Ohio and such person shall be the Appraiser.

The Appraiser will make his or her determination and submit a written report (“**Appraisal Report**”) to you and us as soon as practicable, but in no event more than 60 days after his or her appointment. Each party may submit in writing to the Appraiser its judgment of Fair Market Value (together with its reasons therefor); however, the Appraiser shall not be limited to these submissions and may make such independent investigations as he or she reasonably determines to be necessary. The Appraiser’s fees and costs shall be borne equally by the parties.

We have the option, exercisable by delivering notice thereof within 30 days after submission of the Appraisal Report (or the date that an agreement is reached, if the parties agree to the Fair Market Value), to purchase the Purchased Assets at the Fair Market Value and assume occupancy of the Restaurant premises. We shall have the unrestricted right to assign this option separate and apart from the remainder of this Agreement.

If we exercise our option as set forth in the preceding paragraph, the purchase price of the Purchased Assets will be paid in cash at the closing, which will occur at the place, time and date we designate, but not later than 60 days after the exercise of our option to purchase the Purchased Assets. At the closing, we will be entitled to all warranties and other closing documents and post-closing indemnifications as we reasonably require, including: (a) instruments transferring good and marketable title to the Purchased Assets, free and clear of all liens, encumbrances and liabilities, to us or our designee, with all sales and other transfer taxes paid by you; and (b) an assignment of all leases of assets used in the operation of your Restaurant, including land, building and/or equipment (or if an assignment is prohibited, you shall provide us with a sublease to us or our designee for the full remaining term and on the same terms and conditions as your lease, including renewal and/or purchase options). Notwithstanding the foregoing, if you or any of your Principal Owners or Affiliates directly or indirectly owns the land, building and/or equipment of your Restaurant, you will, at our option, grant or cause such Principal Owner or Affiliate to grant to us a lease therefor for the remainder of the then current term hereof at reasonable and customary rental rates and other terms prevailing in the community where your Restaurant is located. Any dispute concerning the rental rates and terms of such lease shall be resolved by the Appraiser.

If you cannot deliver clear title to all of the Purchased Assets or a clear leasehold interest in the Restaurant premises and leased equipment, or if there are other unresolved issues, the closing of the sale may, at our option, be accomplished through an escrow on such terms and conditions as we deem appropriate, including the making of payments, to be deducted from the purchase price, directly to third parties in order to obtain clear title to all of the Purchased Assets and clear leasehold interests. Further, you and we shall comply with any applicable Bulk Sales provisions of the Uniform Commercial Code as enacted in the state where the Restaurant is located and all applicable state and local sales and income tax notification and/or escrow procedures. We have the right to set off against and reduce the purchase price by any and all amounts owed by you or any of your Principal Owners or Affiliates to us or any of our affiliates.

Upon delivery of the Appraisal Notice and pending (a) determination of Fair Market Value, (b) our option period, and (c) the closing of the purchase, we may authorize continued temporary operations of your Restaurant pursuant to the terms of this Agreement, subject to the supervision and control of one or more of our appointed managers.

12. NONCOMPETITION AND OTHER RESTRICTIONS.

A. During the Term. During the term of this Agreement, you agree that you shall not, and shall not allow any of your Affiliates, any of your or your Affiliates' management personnel, any Principal Owners (as defined in Section 11.D) of Franchisee, nor any spouse of any of the above to, without our prior written approval, (i) engage in any business or other activity that will conflict with any of your obligations under this Agreement, (ii) divert or attempt to divert elsewhere any trade or business which ordinarily would be transacted at your Restaurant, (iii) engage as an owner (except of publicly-traded securities), member, manager, partner, director, officer, employee, consultant, agent or in any other capacity in any other business selling goods or services the same as or similar to the goods and services sold by System Restaurants (including, but not limited to, grilled sandwiches, freshly made lemonade and freshly-cut french fries), (iv) employ or seek to employ any person who is employed by us or

our affiliates or any other business operated under the System by a franchisee of ours or otherwise, (v) communicate or divulge to, or use for the benefit of, any person, partnership, association or corporation any information or knowledge concerning the method of operation, promotion, purchasing, preparation or sale, used or employed in the System, (vi) interfere or attempt to interfere with any contractual relationship between us and any third party, or (vii) disparage, by any means and to any person, the System, or us.

B. After the Term. For two years after the expiration or earlier termination of this Agreement, you shall not, and shall not allow any of your Affiliates, any of your or your Affiliates' management personnel, any Principal Owner of yours, nor any spouse of any of the above, without our prior written approval, (i) to engage as an owner (except of publicly-traded securities), member, manager, partner, director, officer, employee, consultant, agent or in any other capacity in any business selling goods and services the same as or similar to the goods and services sold by System Restaurants (including, but not limited to, grilled sandwiches, freshly made lemonade and freshly-cut french fries) which is located within a three mile radius from the location of the Restaurant or any other System restaurant; (ii) to employ or seek to employ any person who is employed by us or our affiliates or any other business operated under the System by a franchisee of ours or otherwise; (iii) to directly or indirectly induce any person to leave his or her employment without our prior approval; (iv) to communicate or divulge to, or use for the benefit of, any person, partnership, association or corporation, any information or knowledge, concerning the method of operation, promotion, purchasing, preparation or sale used or employed in the System; (v) to divert or attempt to divert elsewhere any trade or business which ordinarily would be transacted at the Restaurant; (vi) to interfere or attempt to interfere with any contractual relationship between us and any third party; or (vii) to disparage, by any means and to any person, the System, or us.

C. Restaurant Location. For two years after the expiration or earlier termination of this Agreement, you agree not to, and shall not allow any of your Affiliates, any of your or your Affiliates' management personnel, any Principal Owner of Franchisee, nor any spouse of any of the above to occupy, directly or indirectly, as an owner (except of publicly-traded securities), member, manager, partner, director, officer, employee, consultant, or in any other capacity, whether under a lease, license or otherwise, any space in the shopping center or building in which the Restaurant has been located for the operation of a business selling any product which is the same as or similar to any of the products sold in System Restaurants (including, but not limited to, grilled sandwiches, freshly made lemonade and freshly-cut french fries).

D. Definition. A “**Principal Owner**” of Franchisee is defined as an individual who, at the date of execution of this Agreement or at any time during the term of this Agreement, was or is, directly or indirectly:

(i) **If Franchisee is a corporation**, the beneficial owner of 10% or more of the corporate stock of such corporation; or

(ii) **If Franchisee is a general partnership or a limited liability company**, the beneficial owner of a partnership or membership interest representing 10% or more of the profits and losses, or of the capital of such partnership or limited liability company; or

(iii) **If Franchisee is a limited partnership, a general partner of such partnership, or, if a general partner of such limited partnership is not a natural person, a Principal Owner of such general partner.**

E. Remedies. The remedies below shall be deemed cumulative and may be exercised successively or concurrently by us, at our sole option:

(i) You specifically acknowledge and agree that the remedy at law for any breach of the provisions of Sections 11.A, 11.B, and 11.C will be inadequate, notwithstanding the provision for liquidated damages contained in Section 11.E(ii) below of this Agreement, and that we, in addition to any other relief available to us, shall be entitled to temporary and permanent injunctive relief without the necessity of proving actual damages or the posting of any bond, which rights are waived by you and any Principal Owner.

(ii) If you or any other person breaches any of the covenants contained in Section 11.A(iii), Section 11.B(i) or Section 11.C, then, in addition to any other right or remedy which we may have under this Agreement or otherwise, while such business is in operation, you agree to, or shall cause the breaching party to, pay to us while this breach shall exist and continue, as liquidated damages and not as a penalty, 10% of the monthly Gross Sales generated by such business, payable on the 10th day of the next succeeding month and the provisions of Sections 5.B(ii) and (iii), Section 5.E and Section 7.V of this Agreement shall apply to this competing business.

F. Interpretation. To the extent that this Section 11 is deemed unenforceable by virtue of its scope in terms of area or length of time, but may be made enforceable by reduction of either or both, the parties agree that the provisions in this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought. Section 14.K below notwithstanding, we shall have the right, upon written notice to you, to reduce the terms of area or length of time in this Section 11.

G. Additional Acts. You acknowledge that this Section 11 is intended to be binding upon you, your management personnel and any Principal Owner of Franchisee and their spouses. You agree that you will deliver a copy of this Section 11 (relating to confidential information and non-competition provisions) to all of your management personnel and Principal Owners and their spouses, and shall procure from them and deliver to us a signed agreement on a form to be provided to you by us, indicating that each has received a copy of Section 11, read it and that each agrees to be bound by the terms of this entire Section 11.

13. REPRESENTATIONS.

You acknowledge that you received our franchise disclosure document by 14 calendar days before the earlier of: (i) your execution of this Agreement or any other binding agreement relating to the franchise granted under this Agreement, or (ii) your payment of any moneys to us or our affiliates relating to the franchise granted under this Agreement. You acknowledge that you received a copy of a franchise agreement containing all material terms set forth in this final Agreement at least five business days before the date of execution of this Agreement. You acknowledge that you have had an

opportunity to read our franchise disclosure document and that no representations have been made to you which are inconsistent with information presented in such franchise disclosure document and that you have not relied upon any representations inconsistent with or not contained in such franchise disclosure document. You acknowledge that you have had the opportunity to conduct an independent investigation of the franchise offered and to seek independent counsel concerning the franchise. You acknowledge that the franchised business involves risks and the possible success of the Restaurant will depend largely upon your ability. You acknowledge that you have not received any warranty or guarantee, expressed or implied, as to the actual or potential volume, earnings, profits or success of the Restaurant. No representation, promise, guarantee or warranty was made to induce the execution of this Agreement or in connection with this Agreement, which is not expressly contained in this Agreement. You recognize that neither Franchisor nor any other person can guarantee your success in the franchised business. By the execution and acceptance of this Agreement, the parties to this Agreement acknowledge that they have read the same and understand each provision. This Agreement, although written by us, shall be construed fairly and reasonably, and not more strictly against one party than against the other party to this Agreement.

14. RESTAURANT PREMISES.

A. Franchisee to Lease Restaurant. You agree to use your best efforts to conclude a fully executed lease for the Restaurant premises directly with the landlord within the contingency period in Section 13.C. You shall deliver a copy of this lease to us for our approval before execution. Concurrently with the execution of your lease, you shall provide to the Landlord a completed and signed Permission Form in the form attached hereto as **Exhibit D**. Any lease for the Restaurant must include all provisions identified on **Exhibit E** (the Conditional Assignment of Lease) hereto and must be executed by all of the parties identified thereunder.

You may not execute a lease or any amendment to the lease without our approval. Our approval of the lease does not constitute a warranty or representation of any kind, express or implied, as to its fairness or suitability or as to your ability to comply with its terms. We do not, by virtue of approving the lease, assume any liability or responsibility to you or to any third parties. You must deliver a copy of the fully signed lease or any amendment to the lease to us within five days after its execution.

B. Before the Lease. Before any lease for the Restaurant premises has been signed by you and the landlord, we may, but shall not be required to, perform any of your obligations under Section 6. If we take any action in connection with the operation or construction of the Restaurant, including, without limitation, preparing drawings and conducting any management or other training program, purchasing or ordering any equipment for use at the Restaurant premises, or undertaking any obligation for the construction of the Restaurant premises, and this Agreement is subsequently cancelled pursuant to Section 13.C or otherwise, you agree to reimburse us, upon demand, for all costs and expenses incurred by us in connection with the lease and we agree to be solely responsible for all additional costs and expenses in connection with the lease.

C. Timing. If we do not receive a fully executed counterpart of the lease for the Restaurant premises within the timeframe set forth herein, we may terminate this Agreement by giving written notice to you of the termination and, upon this notice being given, the parties shall be released from all obligations and liabilities under this Agreement, except as provided in Section 13. If we elect pursuant to Section 13.B above to perform any of your obligations under Section 6 before the expiration of the contingency period in this Section 13.C, we may require, as a condition to performing any of these obligations, that you, all Principal Owners and any personnel undergoing management training enter into a confidentiality agreement, in form and substance satisfactory to us. You agree that you shall advise us, upon our request, about the status of your lease negotiations.

D. Return of Materials; Franchise Fee. If this Agreement is cancelled by us pursuant to Section 13.C, you shall promptly return to us, as our property, all manuals and other materials about the System and the operation of the Restaurant, including, without limitation, any franchise development handbook, training manuals and materials, brochures, forms, charts, films, tapes and other materials which have been furnished by us, in whatever form they exist and by whomever prepared, which are in the custody, possession or control of you or any Principal Owner, or any of their respective agents or employees. Upon the return of all of these materials, we shall refund to you any portion of the initial franchise fee previously paid by you; provided, however, we may retain the amount necessary to reimburse us for all costs and expenses for which you are responsible under Section 13.C.

E. No Representations. You acknowledge that we have made no representations regarding your ability to consummate a lease for the Restaurant premises or regarding the terms of any lease, and expressly agree that we shall have no liability to you as a result of your inability to consummate a lease for the Restaurant premises.

F. Survival of Obligations. The obligations of Franchisee under this Section 13 shall survive any expiration or earlier termination of this Agreement.

15. MISCELLANEOUS.

A. Unavoidable Delays. Delays in the performance of any duties under this Agreement which are not the fault of, or within the reasonable preventive control of, the party due to perform, including delays due to fire, flood, labor disputes, natural disasters, acts of God, civil disorders, riots, insurrections, work stoppages, slow-downs or disputes, or other similar events, shall extend the time of performance for time equivalent to the length of delay, or for a reasonable period of time as agreed to between the parties; provided, however, that no delay shall excuse you from your obligations to pay us any royalty or other fee or any other sum due us under this Agreement.

B. Successors and Assigns. The rights of each party under this Agreement shall inure to the benefit of its permitted successors and assigns.

C. Effective State Laws; Severability. If any provision of this Agreement, or its application to any person, entity or circumstance, is invalid or unenforceable, then the remainder

of this Agreement or the application of such provision to other persons, entities, or circumstances shall not be affected.

D. Relationship Between Parties. This Agreement does not create a fiduciary relationship among the parties. You are an independent contractor with entire control and direction of your operations, subject to the conditions and covenants established by this Agreement. No agency, employment, or partnership, is created or implied by the terms of this Agreement, and you shall not hold yourself out as an agent, legal representative, partner, subsidiary, joint venturer or employee of ours. You shall have no right or power to, and shall not, bind or obligate us in any manner, nor represent that you have any right to do so. The sole relationship between you and us is a commercial, arm's length business relationship; and, except as provided in Section 7.S, there are no third party beneficiaries to this Agreement. Your business is, and shall be kept, totally separate and apart from any that may be operated by us. In all public records, in relationships with other persons, and on letterheads and business forms, you shall indicate your independent ownership of your Restaurant.

E. Approval and Waivers. No failure by either party to this Agreement to exercise any power given to it under this Agreement, or to insist on strict compliance by the other party with any obligation or condition under this Agreement, and no custom or practice of the parties at variance with the terms of this Agreement shall constitute a waiver of your or our rights to demand exact compliance with the terms of this Agreement. Acceptance by either you or us of any sums due such party under this Agreement shall not be deemed a waiver by the other of any provision of this Agreement. Waiver by either you or us of any particular default by the other shall not affect or impair your or our rights with respect to any subsequent or additional default, whether the same or of a different nature; nor shall any delay or omission by either you or us to exercise any rights arising from a default affect or impair either of our rights as to such default or any additional default. Your or our consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of your or our consent to or approval of any subsequent act.

F. Notices. Any notice, request, or demand permitted or required to be given under this Agreement shall be in writing and sent by United States certified mail, return receipt requested, postage prepaid, or by any national overnight delivery service utilizing a return receipt, addressed to us to the attention of the Chairman with a copy to the Legal Department at 1099 Sullivant Avenue, Columbus, Ohio 43223; and to you at the notice address identified in **Exhibit A**, or at another address as either of the parties may designate by written notice from time to time and given in the manner as provided in this Agreement. All such notices, requests, and demands shall be deemed given upon the earliest of (a) receipt; (b) refusal of the addressee to receive the same, as indicated on the return receipt; (c) three business days after mailing with proof of mailing receipt or tracking slip if sent certified mail; or (d) one business day after overnight mailing with a proof of mailing receipt or tracking slip.

G. Rights and Remedies.

(i) Injunctive Relief. Notwithstanding any other provision hereof to the contrary, we shall be entitled, without bond, to the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement to compel conduct, or to prohibit conduct or threatened conduct, for which no adequate remedy at law may

be available or which may cause us irreparable harm, including, without limitation, breaches by you or your Affiliates of your obligations under Section 2 (The System); Section 3 (Nature of Franchise); Section 7.A (Infringement); Section 8 (Transfer and Assignment); Section 10 (Default and Termination); Section 11 (Noncompetition and Other Restrictions); and Section 13 (Restaurant Premises). Pursuant to the preceding sentence, we are entitled to bring an action seeking temporary or preliminary injunctive relief to compel specific performance of this Agreement and we shall be entitled to bring any action described in this Section 14G(i) for injunctive relief as an alternative or supplement to dispute resolution, without first conducting the dispute resolution procedure set forth in Section 14.G(vi) below.

(ii) Venue. Except to the extent prohibited by applicable state law, you and we agree that any legal action, arbitration, dispute resolution or litigation between or among you, us, and your and our affiliates shall be conducted in Columbus, Ohio or, if our principal place of business is not then located in Columbus, Ohio, the city where we then have our principal place of business. All lawsuits initiated shall be filed in the Federal District Court for the Southern District of Ohio, Eastern Division, or the Common Pleas Court of Franklin County, Ohio (or, if our principal place of business is not then located in Columbus, Ohio, in the Federal District Court or appropriate state court located in or closest to the city where we have our principal place of business). Subject to the provisions of Section 14.G(vi) hereof, you and your Affiliates hereby consent to the exclusive jurisdiction and venue to such courts.

(iii) Franchisor's Right to Pursue Rights and Remedies on Collection Matters. Notwithstanding any other provision hereof to the contrary, including the provisions of Section 14(G)(vi) hereof, nothing shall restrict our ability to pursue our rights and remedies against you to collect amounts owed to us hereunder or under any other agreements or arrangements between us (including but not limited to, conditional assignments of lease, subleases, guarantees under your Franchise and/or Development Agreements, promissory notes, settlement agreements) in such manner as we may elect. Without limiting the foregoing, we are entitled to bring an action against you in court to pursue any or all such rights and remedies, involving the collection of amounts owed us, hereunder or otherwise. We are entitled to bring any such action as an alternative or supplement to dispute resolution initiated by you or us under Section 14.G(vi), without first initiating or completing the dispute resolution procedure set forth in Section 14.G(vi).

(iv) Applicable Law. Except to the extent governed by the U.S. Trademark Act of 1946 (as amended), the validity, terms, performance, and enforcement of this Agreement and any issues related in any way to this Agreement or to a breach or alleged breach of this Agreement shall be governed by, and this Agreement shall be deemed to have been entered into under, the laws of the State of Ohio applicable to agreements that are negotiated, executed, delivered and performed solely in the State of Ohio.

(v) Waiver. Each party hereto waives its right to demand a trial by jury in any action or proceeding arising out of or related to the negotiation, execution, delivery, performance, or breach of this Agreement or any relationship or transaction between you and us, regardless of the framing of any cause of action as lying in contract or tort or arising out of a statute.

(vi) Dispute Resolution.

- (a) Subject to the provisions hereof, you and we (including also your and our respective affiliates, owners, officers, directors, agents and employees) will attempt to resolve promptly by good faith negotiations, in accordance with the dispute resolution procedures provided in this sub-section, any controversy, dispute or claim between or among you and us and our respective affiliates (the “**Dispute**”). If a Dispute arises, the disputing party must give the other party written notice describing the Dispute. Within 20 days after receipt of any such notice, the receiving party must submit to the other a written response. The notice and response must include a statement of the submitting party’s position and a summary of the evidence and arguments supporting its position. You and we agree to meet, and to cause our respective affiliates to meet, at Franchisor’s headquarters on a mutually agreeable date within 30 days of the receiving party’s receipt of the notice of Dispute to attempt to resolve the Dispute. At such meeting, each party will be represented by a person authorized to settle the Dispute. Notwithstanding the foregoing, we are not required to follow this Dispute resolution procedure before: terminating this Agreement; commencing any action for injunctive relief pursuant to the provisions of Section 14.G(i); commencing any legal action for collection of amounts owed to us pursuant to the provisions of Section 14.G(iii); or commencing legal action related to other agreements between you and us relating to the Restaurant, including but not limited to, conditional assignment of lease, sublease (including repossession), guarantees under your Franchise and/or Development Agreements, promissory notes, settlement agreements, or any other agreements the parties may have.
- (b) Except as provided in Section 14.G(i) or (iii), all Disputes that are not resolved by negotiation within 30 days of the receiving party’s receipt of the notice of Dispute as provided in Section 14.G(vi)(a), above, shall be resolved by arbitration pursuant to the following provisions. The arbitration shall be administered by the American Arbitration Association (“**AAA**”). The arbitration shall be governed exclusively by the United States Arbitration Act (9 U.S.C. §1, et seq.), without reference to any state arbitration statutes. Each party shall submit or file any claim that could constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim that is not submitted or filed in this proceeding shall be barred. The arbitration proceedings shall be conducted by one arbitrator in accordance with the then-current commercial arbitration rules of the AAA, except the parties shall be entitled to limited discovery at the

discretion of the arbitrator who may, but is not required to, allow depositions. The arbitration proceedings shall be conducted on an individual basis and not on a multi-plaintiff, consolidated, collective or class-wide basis. The arbitrator shall have the right to award the relief that he or she deems proper, consistent with the terms of this Agreement, including compensatory damages (with interest on unpaid amounts from date due), specific performance, injunctive relief, legal fees and costs. The award and decision of the arbitrator shall be conclusive and binding on all parties, and judgment upon the award may be entered in any court of competent jurisdiction. Any right to contest the validity or enforceability of the award shall be governed exclusively by the United States Arbitration Act. No arbitration findings, conclusions, orders or awards may be used to collaterally estop either party from raising any like or similar issue in any other arbitration, litigation, court hearing, or other proceeding involving third parties or other franchisees.

- (c) Each party waives, to the fullest extent permitted by law, any right or claim to any punitive or exemplary damages against the other.

(vii) Survive Expiration Or Termination. The provisions of this Section 14.G shall continue in full force and effect after the expiration or termination of this Agreement.

H. Terminology. All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement or any Section or clause herein may require, as if this word had been fully and properly written in the appropriate number and gender.

I. Acceptance. This Agreement shall not be binding until it is executed by us.

J. Entire Agreement. This Agreement, and the exhibits attached and incorporated into this Agreement, contain the entire agreement of the parties about the Restaurant, the franchise, and the franchise relationship, and there are no representations, inducements, promises, agreements, arrangements or undertakings, oral or written, among the parties other than those so set forth and duly executed in writing. No modification or agreement of any kind shall be binding upon either party unless and until the same has been made in writing and executed by the duly authorized parties. Upon execution of this Agreement by us, all previous agreements, contracts, arrangements or undertakings of any kind relative to the franchise granted are canceled, and all claims and demands of yours are fully satisfied. Notwithstanding any other provision in this Agreement or in any related agreement to the contrary, nothing herein or therein is intended to disclaim the representations made by us in the franchise disclosure document previously delivered to you, to the extent prohibited by law.

K. Amendment of Agreement. This Agreement shall not be modified or amended except by written agreement executed by the parties.

L. Costs and Expenses of Enforcement. If you fail to comply with any provision of this Agreement, you shall pay to us, upon demand, the reasonable costs and expenses, including reasonable attorneys' fees, incurred by us in connection with any enforcement of any such provision.

M. Headings. The Section headings ("**Headings**") throughout this Agreement are for convenience and reference only, and the words contained in the Headings shall not be held to expand, modify, amplify or aid in the interpretation, construction or meaning of this Agreement.

N. All Consents. You represent that you have all necessary consents and approvals to enter into this Agreement and that the signing of the Agreement by you shall not cause you to be in default or violation of any other agreement with us or others; and that you are duly authorized to sign and enter into the Agreement and related franchise documents.

O. Facsimile and Counterparts. This Agreement may be executed in counterpart, each of which shall be deemed to be an original, but all of which, taken together, shall constitute a single instrument. Facsimile signatures shall be deemed to be original and may be used as permitted under Ohio Law.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have duly executed this Agreement.

ESCAPE ENTERPRISES, LTD., by
Escape Enterprises, Inc., manager

By: _____
Name: Kennard M. Smith
Its: Chairman of the Board

FRANCHISEE

By: _____
Name: _____
Its: _____

EXHIBIT A – MISCELLANEOUS INFORMATION

1. Date of Development Agreement, if any: _____
2. Name of Developer designated in Development Agreement, if any: _____

3. Development Area if any: _____
4. Restaurant is the _____ Franchised Unit developed under the Development Agreement.
5. Franchised Location: _____
6. Royalty Rate: 6% of Gross Sales (as defined in Section 5)
7. Date required for determination of location of Restaurant, if applicable: _____
8. Date required for beginning operation of Restaurant: _____
9. Date required for next remodel: _____
10. Franchisee's Liaison: _____
11. Franchisee's Notice Address: _____

IN WITNESS WHEREOF, the duly authorized parties have duly executed this Agreement.

ESCAPE ENTERPRISES, LTD., by
Escape Enterprises, Inc., manager

By: _____
Name: Kennard M. Smith
Its: Chairman of the Board

FRANCHISEE

By: _____
Name: _____
Its: _____

EXHIBIT B – RESTAURANT OPENING DATE

You opened a Restaurant located at _____, on _____ (“**Store Opening Date**”). The Restaurant’s “**Operations Commencement Date**”, as defined in Section 4.A of the Franchise Agreement, is _____, 20__ and the initial term expires on _____, 20__, unless sooner terminated (“**Expiration Date**”).

If you desire to continue operating the Restaurant beyond the Expiration Date, you must give us notice no earlier than 12 months before the initial term expires and no later than six months before the initial term expires.

ESCAPE ENTERPRISES, LTD., by
Escape Enterprises, Inc., manager

By: _____
Name: Kennard M. Smith
Its: Chairman of the Board

FRANCHISEE

By: _____
Name: _____
Its: _____

EXHIBIT C – FRANCHISEE OWNERSHIP

The number of authorized shares or ownership units of a non-natural person Franchisee which has been issued is _____ and the name, address, number of shares or units owned (legally or beneficially), office held by, and spouse of each owner or shareholder is as follows:

<i>NAME</i>	<i>ADDRESS</i>	<i>SHARES/ UNITS OWNED</i>	<i>OFFICE</i>	<i>SPOUSE</i>

EXHIBIT D – PERMISSION FORM

PERMISSION FORM

Date: _____

To Landlord: _____

Name of Contact: _____

Address: _____

_____, Franchisee of the System Restaurant located at _____, Store No. ____, grants Escape Enterprises, Ltd. (“Franchisor”) the right to receive, and gives the above-referenced landlord and any successors or assigns its permission to provide the Franchisor, a copy of its lease and other relevant information reasonably requested by Franchisor. This information and materials shall be sent to:

Escape Enterprises, Ltd.
Attn: Legal Department
1099 Sullivant Avenue
Columbus, OH 43223
614/224-0300 (telephone)
614/224-6460 (facsimile)

Also, please forward any copies of amendments of the lease, renewals, assignments, or notices of default to the same address.

Thank you.

Sincerely,

Name of Franchisee: _____

Address: _____

Telephone: _____

Principal Owner: _____

EXHIBIT E – CONDITIONAL ASSIGNMENT OF LEASE

CONDITIONAL ASSIGNMENT OF LEASE

Franchisee: _____

Franchisor: Escape Enterprises, Inc.

Date of this Conditional Assignment of Lease (the “Assignment”):_____

The Franchisee, to effect various provisions of that certain Franchise Agreement dated _____, 20 __, by and between Franchisee and Franchisor (the “Franchise Agreement”), hereby collaterally assigns to Franchisor (subject to the terms and conditions below) all of Franchisee’s right, title and interest in, to and under that certain lease (the “Lease”) dated _____ 20__, between Franchisee and _____ (“Landlord”), for that property commonly known as:_____ (the “Premises”), a copy of which Lease is attached to this Assignment.

NOW, THEREFORE, for and in consideration of the mutual covenants herein contained, the sum of Ten Dollars (\$10.00) and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, and notwithstanding anything in the Lease to the contrary, it is hereby agreed as follows:

No renewal or material modification or amendment of the Lease shall occur or be effective without the prior written consent of Franchisor.

Except as provided in the Franchise Agreement, the Franchisor will not take possession of the Premises under this Assignment until and unless there is a default by Franchisee under the Lease or a termination, cancellation, rescission or expiration of the Franchisee’s rights, or a default by Franchisee, under the Franchise Agreement. In such event(s), the Franchisor (or its designee) may (but has no obligation to) take possession of the Premises and assume the Franchisee’s rights under the Lease, and, in such event, Franchisee will have no further right, title or interest in or under the Lease or to the Premises, all such rights thereby passing to the Franchisor or its designee, without the Landlord’s further consent. The Franchisee will fully cooperate therewith, and do all acts necessary or appropriate thereto. The Franchisor will have no liabilities or obligations of any kind arising from, or in connection with, this Assignment, the Lease, the Premises or otherwise until and unless the Franchisor takes possession of the Premises pursuant to this Assignment and, in any event, the Franchisor will only be responsible for those obligations accruing with respect to the Lease after the date of such express assumption. Upon taking possession of the Premises, Franchisor shall be obligated from that date forward to perform all of the duties and obligations of Franchisee under the Lease. Franchisor shall notify Landlord, in writing, within five (5) days of taking possession of the Premises that it has taken such possession.

The Franchisee will not permit any surrender, termination, amendment or modification of the Lease and will elect and exercise all options to extend the term of or renew, or assume in bankruptcy, the Lease not less than thirty (30) days prior to the last day that said rights must be exercised. If the Franchisee does not do so, Franchisor may to the extent consistent with the United States Bankruptcy Code (but has no obligation to) do such acts for the account of Franchisee and without any liability or obligation of the Franchisor. Failure of the Franchisor to exercise any remedy hereunder shall not be a waiver of any of its rights. The rights and remedies of the Franchisor under this Assignment are in addition to those which the Franchisor has under the Franchise Agreement or otherwise. This Assignment shall bind, and benefit, Franchisor and Franchisee, and their respective successors and assigns. With respect to Franchisor and Franchisee the dispute resolution provisions (including, but not limited to, mediation, binding arbitration, waiver of jury trial and limitation of damages) of the Franchise Agreement shall apply to this Assignment, and/or any matter related in any way to it, but the Franchisor may, in any event and at its option, proceed with any action in court for possession of the Premises and any related remedies. If there is more than one Franchisee, their obligations are joint and several. As between Landlord and Franchisor and/or Franchisee, the dispute resolution provisions of the Lease shall apply.

In the event Franchisee shall fail to perform or observe any of the terms, conditions or agreements in the Lease, Landlord shall give written notice thereof to Franchisor and Franchisor shall have the right (but not the obligation) to cure such default. Landlord shall not take any action with respect to such default under the Lease, including without limitation any action in order to terminate, rescind or avoid the Lease, for a period of fifteen (15) days following expiration of any cure period Franchisee may have under the Lease with respect to such default; provided, however, that in the case of any default which cannot with diligence be cured within said additional fifteen (15) day period, if Franchisor shall proceed promptly to cure such default and thereafter prosecute the curing of such default with diligence and continuity, the time within which such default may be cured shall be extended for such period as may be necessary to complete the curing of such default with diligence and continuity.

Landlord will recognize and accept the performance by Franchisor of any act or thing required to be done by Franchisee under the terms of the Lease and will accept such performance as if it were performed by Franchisee.

Landlord agrees that in any case commenced by or against Franchisee under the United States Bankruptcy Code, the Franchisor shall have standing to appear and act as a party to the Lease for purposes of the Bankruptcy Code, (but shall not have any obligations under the Lease unless Franchisor expressly assumes the Lease). Landlord shall, during Franchisee's bankruptcy case, serve on the Franchisor a copy of all notices, pleadings or documents which are given to Franchisee, and service shall be in the same manner as given to Franchisee. If the Lease or Franchisee's rights under the Lease are terminated, whether by reason of default of Franchisee or Landlord, rejection of the Lease in any bankruptcy case, voluntary surrender and acceptance, or otherwise, then Landlord shall give written notice of such termination to Franchisor. Franchisor or its nominee shall have the option, exercisable by written notice to Landlord delivered not later than the 30th day after written notice that the termination has occurred, to receive from Landlord a new lease of the Premises on the same terms and conditions as the Lease, for the remaining term of the Lease (that is, the portion of the term that would remain absent the termination and

the conditions or events causing the same), and such same terms and conditions shall include any extension rights provided for in the Lease.

Landlord and Franchisee hereby acknowledge that Franchisee has agreed under the Franchise Agreement that Franchisor and its employees or agents shall have the right to enter the Premises for certain purposes. Landlord hereby agrees not to interfere with or prevent such entry by Franchisor, its employees or agents. Landlord and Franchisee hereby further acknowledge that, in the event the Franchise Agreement expires (without renewal) or is terminated, Franchisee is obligated to take certain steps under the Franchise Agreement to de-identify the location as a restaurant under Franchisor's system. Landlord agrees to permit Franchisor, its employees or agents, to enter the Premises and remove signs, décor and materials displaying any marks, designs or logos owned by Franchisor, provided Franchisor shall bear the expense of repairing any damage to the Premises as a result thereof.

Landlord and Franchisee agree that if Landlord is a Principal Owner or an affiliate of Franchisee, as defined in the Franchise Agreement, and Landlord proposes to sell the Premises, prior to the sale of the Premises, the Lease shall 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 Premises are located.

Landlord and Franchisee hereby acknowledge that Franchisee has agreed under the Franchise Agreement that Franchisor and its employees or agents shall have the right to manage the restaurant located on the Premises in certain circumstances. Landlord hereby agrees not to interfere with or prevent such management by Franchisor, its employees or agents and acknowledges that, by so managing the restaurant, Franchisor does not assume tenant's obligations under the Lease.

Any notice or other communication required or permitted to be given under this Assignment shall be in writing and addressed to the respective party as set forth below. Notices shall be effective (i) on the next business day if sent by a nationally recognized overnight courier service, (ii) on the date of delivery by personal delivery and (iii) on the date of transmission if sent by facsimile during business hours on a business day (otherwise on the next business day) (with receipt of confirmation). Any party may change the address at which it is to receive notices to another address in the United States at which business is conducted (and not a post-office box or other similar receptacle), by giving notice of such change of address in accordance with this provision.

This Assignment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument.

If any portion or portions of this Assignment shall be held invalid or inoperative, then all of the remaining portions shall remain in full force and effect, and, so far as is reasonable and possible, effect shall be given to the intent manifested by the portion or portions held to be invalid or inoperative.

This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment under as of the date first above written.

FRANCHISEE:

Signature

By:_____
Printed Name

Its:_____

Notice Address:_____

Signature

By:_____
Printed Name

Its:_____

Notice Address:_____

LANDLORD:

By:_____
Printed Name

Its:_____

Notice Address:_____

FRANCHISOR:

ESCAPE ENTERPRISES, LTD., by
Escape Enterprises, Inc., manager

By:_____
Name: Kennard M. Smith
Its: Chairman of the Board

Notice Address: 1099 Sullivant Avenue
Columbus, OH 43223

EXHIBIT B-2

UNCONDITIONAL CONTINUING GUARANTY OF FRANCHISE AGREEMENT AND AGREEMENT TO BE BOUND BY RESTRICTIVE COVENANT (The “Guaranty”)

FOR VALUE RECEIVED and in consideration for and as an inducement to **ESCAPE ENTERPRISES, LTD.**, an Ohio limited liability company, located at 1099 Sullivant Avenue, Columbus, Ohio 43223 (“**Franchisor**”), to enter into a Franchise Agreement of even date herewith (the “**Franchise Agreement**”) granting a franchise for a **STEAK ESCAPE SANDWICH GRILL®** restaurant to be located at _____ (the “**Restaurant**”) to Franchisee (such term and all other capitalized terms used in this Guaranty having the respective meanings attributed to the terms in the Franchise Agreement unless otherwise defined in this Guaranty) under the terms of the Franchise Agreement, each of the undersigned (collectively referred to as the “**Guarantors**” and, individually referred to as a “**Guarantor**”) does jointly and severally as of the ____ day of _____, 20__:

(a) Represent and warrant to Franchisor that Guarantor has financial interest in Franchisee that Guarantor expects to derive economic benefit from the execution, delivery and performance of the Franchise Agreement;

(b) Unconditionally and absolutely guarantee to Franchisor the full and timely payment, and the due and punctual performance and observance of all liabilities and obligations of Franchisee under the Franchise Agreement or under any other contract or agreement entered into in connection therewith including, if applicable, any Sublease Agreement between Franchisor and Franchisee for the Restaurant (the “**Guaranteed Obligations**”); and

(c) Indemnify and hold Franchisor, its successors and assigns, harmless from and against any and all liability, loss, damage or expense, including attorneys’ fees and court costs (including those incurred in the enforcement hereof), which Franchisor, its successors or assigns, may incur or sustain by reason of the failure of Franchisee to fully perform and observe the terms and conditions of the Franchise Agreement or the other Guaranteed Obligations (the “**Damages**”).

Section 1 Absolute and Unconditional Obligation of Guarantor. All obligations of each Guarantor under this Guaranty shall be absolute, unconditional and continuing and shall remain in full force and effect until all of the Guaranteed Obligations and other obligations of Guarantors under this Guaranty (whether existing or hereafter incurred) shall have been paid and discharged in full or otherwise satisfied. Notwithstanding the foregoing, the obligations of Guarantor hereunder shall be deemed released with respect to any Guaranteed

Obligations relating to the operation of the Restaurant from and after the date that is 24 months after a Transfer of the Franchise Agreement to a new franchisee in which Guarantor does not have any interest so long as, on such date, there is no event of default in existence under the Franchise Agreement. The obligations of any Guarantor under this Guaranty shall not be released, discharged, affected, modified or impaired by reason of the happening from time to time of any event, including, without limitation, any one or more of the following:

1.1 Compromise, etc. The compromise, settlement, release, discharge or termination of any or all of the Guaranteed Obligations, by operation of law or otherwise, except by payment and performance in full of the Guaranteed Obligations pursuant to the terms of the Franchise Agreement or any other agreement, document or instrument pursuant to which Franchisee or any other person is obligated to Franchisor (collectively with the Franchise Agreement, the “**Documents**”);

1.2 Failure to Give Notice. The failure of Franchisor to give notice to Guarantors of the occurrence of any default under any of the Documents;

1.3 Waiver. The waiver by Franchisor of the payment, performance or observance of any of the Guaranteed Obligations;

1.4 Extension. The extension of the time (whether one or more) for payment of any sum constituting Guaranteed Obligations or of the time for performance of any other Guaranteed Obligation, or the extension or the renewal of any Guaranteed Obligation;

1.5 Modification. The modification or amendment (whether material or otherwise) of any of the Guaranteed Obligations, whether set forth in the Franchise Agreement or any other Document, in accordance with the provisions thereof or otherwise;

1.6 Action or Inaction. The taking of or omission to take any action under any Document;

1.7 Invalidity, etc. The invalidity or unenforceability of any term or provision of any Document, or any loss or release or substitution of, or other dealing with, any of the payments due under the Documents constituting Guaranteed Obligations or otherwise;

1.8 Delay. Any failure, omission or delay on the part of Franchisor to enforce, assert or exercise any right, power or remedy conferred in any Document, or any other act or acts on the part of Franchisor;

1.9 Bankruptcy. The voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all of the assets, marshaling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, arrangement, composition with creditors or readjustment of, or other similar proceedings affecting Franchisee or its assets, or any allegation of invalidity or contest of the validity of this Guaranty in any of these proceedings;

1.10 Default by Guarantor. The default or failure of any Guarantor to fully perform any of its obligations set forth in this Guaranty, the occurrence of any event of default

under the Franchise Agreement, or the default or failure of any other person to fully perform any of its obligations set forth in this Guaranty or in any Document;

1.11 Missing Agreements. The failure of any agreement, instrument, certificate, or other document to be executed or delivered in connection with the Franchise Agreement; or

1.12 Miscellaneous. Any other event, circumstance, right, claim or defense of any character whatsoever, whether or not similar to the foregoing.

Section 2 No Consent or Notice. Franchisor may, at any time and from time to time, without consent of, or notice to, Guarantors, do any, some, or all of the following without thereby impairing or releasing the obligations of any Guarantor under this Guaranty:

2.1 Amendments. Change the manner, place or terms of payment, or change or extend the time of payment of, or renew or alter, the terms of any obligations of payment of Franchisee to Franchisor, and the guarantee made in this Guaranty shall apply to the obligations of payment of Franchisee to Franchisor as so changed, extended, renewed or altered;

2.2 Actions or Inaction. Exercise or refrain from exercising any rights against Franchisee, any other guarantor of the Franchise Agreement or of any other Guaranteed Obligations, or any other person, or otherwise act or refrain from acting; or

2.3 Settle or Compromise. Settle or compromise any obligations of payment of Franchisee, or any other Guarantor of the obligations of Franchisee to Franchisor or subordinate the payment of all or any part thereof to the payment of any liability (whether due or not) to creditors of Franchisee other than Franchisor.

Section 3 Rights of Franchisor and Related Matters.

3.1 Enforcement. Each Guarantor agrees that this Guaranty may be enforced by Franchisor without first resorting to or exhausting any other remedy available under the Franchise Agreement, any other guaranty of the Franchise Agreement, any other Document, or otherwise; provided, however, that nothing contained in this Guaranty shall prevent Franchisor from resorting to any right or remedy available to it.

3.2 Benefit. Each Guarantor agrees that this Guaranty will inure to the benefit of and may be enforced by Franchisor, its successors and assigns, any duly authorized agent of Franchisor, and any subsequent holder of any instrument evidencing any of the Guaranteed Obligations, and shall be binding on and enforceable against each Guarantor, its heirs, representatives, successors and assigns. If any of the Guaranteed Obligations are assigned by Franchisor, this Guaranty will inure to the benefit of Franchisor's assignee, and to the benefit of any subsequent assignee, to the extent of the assignment or assignments; provided, however, that no assignment will operate to relieve any Guarantor from any duty to Franchisor under this Guaranty regarding any unassigned obligation.

3.3 Waiver of Notice, Event of Default under the Agreement, etc. Each Guarantor waives notice of any event of default under any Document and presentment, protest,

notice of dishonor and demand for payment of or regarding any obligation of payment of Franchisee to Franchisor or any instrument or other writing evidencing or securing any obligation of payment of Franchisee to Franchisor.

3.4 Subordination as to Guarantor. Each Guarantor subordinates any and all claims which it now has, or in the future may acquire, as creditor, employee, contributor to the capital of Franchisee or otherwise, to the prior payment and performance in full of any and all of the Guaranteed Obligations to the extent set forth in this Section 3.4. If, before the payment and performance of all of the Guaranteed Obligations, upon the occurrence and during the continuation of an event of default under the Franchise Agreement or any other Guaranteed Obligation, any Guarantor would, without reference to the provisions of this Section 3.4, be entitled to receive any payment on account of any claim of such Guarantor against Franchisee, in insolvency proceedings or otherwise, all of these payments shall be made instead to Franchisor until all of the Guaranteed Obligations have been paid and performed in full, and each Guarantor so directs. If, following the occurrence and during the continuation of an event of default under the Franchise Agreement or any other Document, any Guarantor receives any payment on account of any claim of such Guarantor against Franchisee, such Guarantor shall immediately pay the same over to Franchisor to be applied to the payment and performance of all of the Guaranteed Obligations.

3.5 No Defense Limits Guarantor's Obligations. No setoff, counterclaim, reduction, or diminution of any obligation, or any other defense of any kind or nature (excepting payment or performance in fact) which Franchisee or any Guarantor has or may have against Franchisor shall limit or in any way affect any Guarantor's obligations under this Guaranty.

3.6 Waiver of Rights to Subrogation and Reimbursement. Each Guarantor waives any right of subrogation to the rights of Franchisor against Franchisee, any right of reimbursement by Franchisee or any other right of recovery that any Guarantor may have against Franchisee if any Guarantor makes any payment under this Guaranty. Each Guarantor represents and warrants that it has not received any promissory note from Franchisee or entered into any other written or oral agreement with Franchisee to the effect that such Guarantor will be reimbursed by Franchisee if it makes any payments under this Guaranty and has not received any property of Franchisee as security for any such reimbursement. Each Guarantor covenants and agrees that such Guarantor will not, at any time, accept any promissory note or enter into any written or oral agreement with Franchisee which has the effect of reimbursing any Guarantor for any payments that it may make under this Guaranty, accept any property of Franchisee as security for any such reimbursement, or make any claim for reimbursement or that any Guarantor should be subrogated to the rights of Franchisor against Franchisee. The waivers, representations, warranties, covenants and agreements contained in this paragraph are for the benefit of and may be enforced by Franchisor and Franchisee and their respective successors and assigns, including, without limitation, any trustee in bankruptcy of Franchisee.

3.7 Waiver of Notice of Acceptance. Each Guarantor expressly waives notice from Franchisor of its acceptance of and reliance upon this Guaranty, and of any future creation, renewal or accrual of any of the Guaranteed Obligations, and any and every obligation of payment and performance of Franchisee to Franchisor shall conclusively be presumed to have been created, contracted or incurred in reliance upon this Guaranty.

Section 4 Restrictive Covenant and Confidentiality. Each Guarantor acknowledges that it has received and reviewed a copy of Sections 3.B and 11 of the Franchise Agreement (relating to confidential information and non-competition provisions) and agrees to be bound by the terms of these Sections as though it were a party to the Franchise Agreement.

Section 5 Miscellaneous.

5.1 Notices. Any notice, request or demand permitted or required to be given under this Guaranty shall be in writing and sent by United States certified mail, return receipt requested, postage prepaid, or by any national overnight delivery service utilizing a return receipt, addressed to Franchisor to the attention of the Chairman with a copy to the Legal Department at 1099 Sullivant Avenue, Columbus, Ohio 43223; and to Guarantor at the notice address identified on **Exhibit A** in the Franchise Agreement, or at another address as either of the parties may designate by written notice from time to time and given in the manner as provided in this Guaranty. All such notices, requests and demands shall be deemed given the earliest of: (a) upon receipt; or (b) upon refusal of the addressee to receive the same, as indicated on the return receipt; or (c) three business days after mailing with proof of mailing receipt or tracking slip if certified mail; or (d) one business day after overnight mailing with a proof of mailing receipt or tracking slip.

5.2 Agreement to Pay Fees and Expenses. If Guarantor should fail in the payment or performance of any of the Guaranteed Obligations or should fail to comply with any provision of this Guaranty, Guarantor shall pay to Franchisor, upon demand, the reasonable costs and expenses, including reasonable attorneys' fees, incurred by Franchisor in connection with any enforcement of Franchisor's rights regarding this failure.

5.3 Waiver. No delay on the part of Franchisor in exercising any of its options, powers or rights under this Guaranty, or any partial or single exercise of this Guaranty, shall constitute a waiver thereof. No waiver of any of the respective rights or obligations of Franchisor under this Guaranty, and no modification or amendment of this Guaranty, will be deemed to be effective unless the same shall be in writing, duly signed on behalf of Franchisor and Guarantors. Each waiver, if any, will apply only regarding the specific instance and for the specific purpose given, and will in no way impair the rights of Franchisor or the obligations of Guarantors to Franchisor in any respect at any other time. No notice to or demand on Guarantors in any case will entitle Guarantors to any other or further notice or demand in similar or other circumstances.

5.4 Amendment. This Guaranty shall not be deemed to be amended, modified or limited orally or by any course of conduct or dealing or any manner other than by a writing signed by the party against which this amendment, modification or limitation is sought to be charged.

5.5 No Release. The provisions of this Guaranty notwithstanding, no rights or privileges of Franchisor under the Franchise Agreement or any other agreement, document or instrument pursuant to which Franchisee is obligated to Franchisor shall in any way be diminished or released by this Guaranty.

5.6 Severability. In case any clause, provision or section of this Guaranty, or any covenant, stipulation, obligation, agreement, act, or action, or part of this Guaranty, made, assumed, entered into, or taken under this Guaranty, or any application thereof, is for any reason held to be illegal, invalid or inoperable, this illegality, invalidity, or inoperability shall not affect the remainder of this Guaranty or any other clause, provision or section or any other covenant, stipulation, obligation, agreement, act or action or part thereof, made, assumed, entered into, or taken under this Guaranty, which shall at the time be construed and enforced as if such illegal or invalid or inoperable portion were not contained in this Guaranty, nor shall this illegality or invalidity or inoperability or any application thereof affect any legal and valid and operable application of this Guaranty, from time to time, and each such clause, provision or section, covenant, stipulation, obligation, agreement, act, or action, or part thereof shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent from time to time permitted by law.

5.7 Captions. The captions or headings in this Guaranty are for convenience only and in no way define, limit or describe the scope or intent of any provision or section of this Guaranty.

5.8 Entire Agreement. This Guaranty sets forth the entire understanding of the parties and supersedes any and all prior agreements, arrangements, and understandings relating to the subject matter of this Guaranty.

5.9 Separate Instrument. This Guaranty constitutes a separate instrument, enforceable in accordance with its terms, and neither this Guaranty nor the obligations of Guarantors under this Guaranty shall, under any circumstance or in any legal proceedings, be deemed to have merged into or with any other agreement or obligation of Guarantors.

5.10 Third Parties. Nothing in this Guaranty expressed or implied is intended or shall be construed to confer upon or give any person other than the parties to this Guaranty and their successors or assigns, any rights or remedies under or by reason of this Guaranty.

5.11 Rights and Remedies.

(i) **Injunctive Relief.** Notwithstanding any other provision hereof to the contrary, Franchisor shall be entitled, without bond, to the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Guaranty to compel conduct, or to prohibit conduct or threatened conduct, for which no adequate remedy at law may be available or which may cause Franchisor irreparable harm, including, without limitation, breaches by Guarantor or Guarantor's affiliates of Guarantor's obligations under Section 4 (Restrictive Covenant and Confidentiality) hereof. Pursuant to the preceding sentence, Franchisor is entitled to bring an action seeking temporary or preliminary injunctive relief to compel specific performance of this Guaranty and Franchisor shall be entitled to bring any action described in this Section 5.11(i) for injunctive relief as an alternative or supplement to dispute resolution, without first conducting the dispute resolution procedure set forth in Section 5.11(vi) below.

(ii) Venue; Jurisdiction. Except to the extent prohibited by applicable state law, Guarantor and Franchisor agree that any legal action, arbitration, dispute resolution or litigation between or among Guarantor, Franchisor and our respective affiliates shall be conducted in Columbus, Ohio or, if Franchisor's principal place of business is not then located in Columbus, Ohio, the city where Franchisor then has its principal place of business. All law suits initiated shall be filed in the Federal District Court for the Southern District of Ohio, Eastern Division, or the Common Pleas Court of Franklin County, Ohio (or, if Franchisor's principal place of business is not then located in Columbus, Ohio, in the Federal District Court or appropriate state court located in or closest to the city where Franchisor then has its principal place of business). Subject to the provisions of Section 5.11(vi) hereof, Guarantor and Guarantor's affiliates hereby consent to the exclusive jurisdiction and venue to the courts or arbitration location as provided above.

(iii) Franchisor's Right to Pursue Rights and Remedies on Collection Matters. Notwithstanding any other provision hereof to the contrary, including the provisions of Section 5.11(vi) hereof, nothing shall restrict Franchisor's ability to pursue its rights and remedies against Guarantor to collect amounts owed to Franchisor hereunder or under any other agreements or arrangements between Guarantor and Franchisor relating to the Restaurant (including but not limited to, conditional assignments of lease, subleases, guarantees under Guarantor's Franchise and/or Development Agreements, promissory notes, settlement agreements) in such manner as Franchisor may elect. Without limiting the foregoing, Franchisor is entitled to bring an action against Guarantor in court to pursue any or all such rights and remedies, involving the collection of amounts owed Franchisor, hereunder or otherwise. Franchisor is entitled to bring any such action as an alternative or supplement to dispute resolution initiated by Franchisor or Guarantor under Section 5.11(vi), without first initiating or completing the dispute resolution procedure set forth in Section 5.11(vi).

(iv) Applicable Law. Except to the extent governed by the U.S. Trademark Act of 1946 (as amended), the validity, terms, performance and enforcement of this Guaranty and any issues related in any way to this Guaranty or to a breach or alleged breach of this Guaranty shall be governed by, and this Guaranty shall be deemed to have been entered into under, the laws of the State of Ohio applicable to guaranties that are negotiated, executed, delivered and performed solely in the State of Ohio.

(v) Waiver. Guarantor and Franchisor each waive Guarantor's and Franchisor's rights to demand a trial by jury in any action or proceeding arising out of or related to the negotiation, execution, delivery, performance or breach of this Guaranty or any relationship or transaction between Guarantor and Franchisor, regardless of the framing of any cause of action as lying in contract or tort or arising out of a statute.

(vi) Dispute Resolution.

- (a) Subject to the provisions hereof, Guarantor and Franchisor (including also Guarantor's and Franchisor's respective affiliates, owners, officers, directors, agents and employees) will attempt to resolve promptly by good faith negotiations, in accordance with the dispute resolution procedures provided in this paragraph, any

controversy, dispute or claim between or among Guarantor and Franchisor and our respective affiliates (the “**Dispute**”). If a Dispute arises, the disputing party must give the other party written notice describing the Dispute. Within 20 days after receipt of any such notice, the receiving party must submit to the other a written response. The notice and response must include a statement of the submitting party’s position and a summary of the evidence and arguments supporting its position. Guarantor and Franchisor agree to meet, and to cause our respective affiliates to meet, at Franchisor’s headquarters on a mutually agreeable date within 30 days of the receiving party’s receipt of the notice of Dispute to attempt to resolve the Dispute. At such meeting, each of Guarantor and Franchisor will be represented by a person authorized to settle the Dispute. Notwithstanding the foregoing, Franchisor is not required to follow this Dispute resolution procedure before: terminating this Guaranty; commencing any action for injunctive relief pursuant to the provisions of Section 5.11(i); commencing any legal action for collection of amounts owed to Franchisor pursuant to the provisions of Section 5.11(iii); or commencing legal action related to other agreements between Guarantor and Franchisor relating to the Restaurant, including but not limited to, conditional assignment of lease, sublease (including repossession), guarantees under the Franchise and/or Development Agreements, promissory notes, settlement agreements or any other agreements Guarantor and Franchisor may have.

- (b) Except as provided in Section 5.11(i) or (iii), all Disputes that are not resolved by negotiation within 30 days of the receiving party’s receipt of the notice of Dispute as provided in Section 5.11(vi)(a), above, shall be resolved by arbitration pursuant to the following provisions. The arbitration shall be administered by the American Arbitration Association (“**AAA**”). The arbitration shall be governed exclusively by the United States Arbitration Act (9 U.S.C. §1, et seq.), without reference to any state arbitration statutes. Each party shall submit or file any claim that could constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim that is not submitted or filed in this proceeding shall be barred. The arbitration proceedings shall be conducted by one arbitrator in accordance with the then-current commercial arbitration rules of the AAA, except the parties shall be entitled to limited discovery at the discretion of the arbitrator who may, but is not required to, allow depositions. The arbitration proceedings shall be conducted on an individual basis and not on a multi-plaintiff, consolidated, collective or class-wide basis. The arbitrator shall have the right to

award the relief that he or she deems proper, consistent with the terms of this Guaranty, including compensatory damages (with interest on unpaid amounts from date due), specific performance, injunctive relief, legal fees and costs. The award and decision of the arbitrator shall be conclusive and binding on all parties, and judgment upon the award may be entered in any court of competent jurisdiction. Any right to contest the validity or enforceability of the award shall be governed exclusively by the United States Arbitration Act. No arbitration findings, conclusions, orders or awards may be used to collaterally estop either party from raising any like or similar issue in any other arbitration, litigation, court hearing, or other proceeding involving third parties or other franchisees.

(c) Each party waives, to the fullest extent permitted by law, any right or claim to any punitive or exemplary damages against the other.

(vii) Survive Expiration Or Termination. The provisions of this Section 5.11 shall continue in full force and effect after the expiration or termination of this Guaranty.

5.12 Accord and Satisfaction. Guarantor shall not send to Franchisor payments marked “paid-in-full”, “without recourse”, or similar language. If Guarantor sends such a payment, Franchisor may accept it without losing any of Franchisor’s rights to collect the full amount owed, and Guarantor shall remain obligated to pay any amount owed to Franchisor, regardless of the utilization of this language. **All written communications concerning disputed amounts, including any check or other payment instrument indicating that the payment constitutes payment-in-full of the amount owed or that it is tendered with other conditions or limitations or as full satisfaction of a disputed amount, must be mailed or delivered to Escape Enterprises, Ltd., ATTN: Accord and Satisfaction Payments Department, at Franchisor’s address designated for delivery of notices hereunder.**

IN WITNESS WHEREOF, the undersigned Guarantor(s) represents that he/she/they have read this Guaranty and the related Documents, have had the opportunity to consult with their financial and legal advisors and have knowingly waived the same, and have duly executed this Guaranty as of the date first above written.

Addresses:

Guarantors:

Name: _____

Name: _____

[*Include as Guarantors all owners of Franchisee and their spouses, the Developer, if applicable, and all members of the Developer's Control Group and their spouses.*]

EXHIBIT B-3
ESCAPE ENTERPRISES, LTD.
DEVELOPMENT AGREEMENT

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APPENDIXES

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**ESCAPE ENTERPRISES, LTD.
DEVELOPMENT AGREEMENT**

THIS DEVELOPMENT AGREEMENT (the “Agreement”), made and entered into as of the ____ day of _____, 20__, at Columbus, Ohio by and among **ESCAPE ENTERPRISES, LTD.**, an Ohio limited liability company with its corporate headquarters located at 1099 Sullivant Avenue, Columbus, Ohio 43223 (“**EEL**”, “**we**”, “**us**” or “**our**”), _____, a _____ located at (“**Developer**”, “**you**”, or “**your**”), and _____ residing at _____ (“**Operating Principal**”). Collectively EEL, Developer, and Operating Principal are referred to as the “**parties**”. The “**Effective Date**” of this Agreement shall be [*the date set forth above or insert date*].

W I T N E S S E T H:

WHEREAS, as a result of the expenditure of time, skill, effort and money, we have developed and operate a unique system of quick-service restaurants which specialize in the sale of high quality, moderately-priced grilled sandwiches, freshly-squeezed lemonade, freshly-cut french fries, baked potatoes and salads topped with grilled meats and vegetables, all served in a quick, friendly and interactive environment (the “**System**”) which has acquired valuable goodwill and a favorable reputation; and

WHEREAS, we have established, through our own development and continue to develop and operate, and franchise, a chain of STEAK ESCAPE SANDWICH GRILL restaurants utilizing the System which are distinctive and similar in appearance, design, decor, operation, menu and product quality (“**Franchised Units**” or “**Restaurants**”); and

WHEREAS, you desire to obtain a license for a limited geographic area to develop Franchised Units that utilize the System; and

WHEREAS, we are willing to grant you a license, subject to the terms and conditions of this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements in this Agreement, the parties agree as follows:

1. DEVELOPMENT.

A. Development Term and Area. The term of this Agreement (the “**Development Term**”) begins on the Effective Date of this Agreement and terminates on the expiration date designated in **Appendix A** (unless terminated earlier) (the “**Expiration Date**”). You shall have no right to renew the term of this Agreement. During the Development Term we grant you the right to develop Franchised Units within the geographic area described in **Appendix A** (the “**Development Area**”) pursuant to the terms of this Agreement. The grant of rights under this Agreement is specific and limited to you. You are granted no rights under this Agreement to

license, sublicense or subfranchise to others the rights to operate Franchised Units or utilize the System, subject to the provisions of Section 4.B of this Agreement regarding your rights to cause entities controlled, controlling or under common control with you (“**your affiliates**”) to themselves enter into Franchise Agreements to operate Franchised Units.

B. Development Schedule. You agree that during the Development Term, you shall faithfully, honestly and diligently promote, enhance and expand the development of Franchised Units within the Development Area and during each period of the Development Term, as identified on **Appendix A** (the “**Period**”), you shall develop in the Development Area, at a minimum, the number of Franchised Units in **Appendix A**, developed in accordance with the “**Development Schedule**” for such period specified in **Appendix A**. In addition, at the end of each Period, you shall have in operation in the Development Area, at a minimum, the cumulative number of Required Franchised Units designated in **Appendix A**. Each Franchised Unit developed hereunder shall be referred to in this Agreement as a “**Required Franchised Unit**”. You are not prohibited, during the Development Term, from developing Franchised Units in the Development Area in addition to the Required Franchised Units. However, for purposes of determining whether you are in compliance with your obligations under the first sentence of this Section 1.B for a particular Period, Required Franchised Units developed during preceding Periods in excess of the minimum required shall not be counted.

You shall be required to begin construction on each Required Franchised Unit two months before the date that the Required Franchised Unit is required to be opened. As used in this Agreement, “**Begin Construction**” or “**Begun Construction**” means that construction shall be deemed to have begun only after you have obtained all required permits and (i) for new construction of a freestanding Franchised Unit, when you have begun the installation of building footings with the intent to maintain reasonably continuous construction; or (ii) for a non-freestanding Franchised Unit or a Franchised Unit being converted from a prior use, when you have begun the installation of sub-floor plumbing with the intent to maintain reasonably continuous construction.

For purposes of this Agreement, a Franchised Unit shall be deemed to be established prior to the end of a Period, if and only if, you or your affiliates has commenced normal business operations pursuant to an executed Franchise Agreement with us prior to the end of such Period. If the number of Franchised Units established in any Period and the cumulative minimal number is in excess of the respective numbers specified for such Periods, the excess may be credited against the Required Franchised Units to be established and in operation in the subsequent Period.

STRICT COMPLIANCE WITH THE DEVELOPMENT SCHEDULE SPECIFIED IN **APPENDIX A** OF THIS AGREEMENT IS OF THE ESSENCE. If you fail to fulfill your specified development obligation for any Period during the Development Term, as provided in **Appendix A** of this Agreement, this Agreement shall terminate immediately upon written notice from us to you of the failure. If this Agreement terminates for reasons described in this Section 1.B, we shall retain any unapplied portion of the Development Deposit described in Section 3, and you shall have no additional development or monetary obligations to us with regard to Franchised Units scheduled to be developed pursuant to **Appendix A**, but not yet developed by you.

2. EXCLUSIVE RIGHTS.

A. Grant. If you and your affiliates are in compliance with the terms of this Agreement and any other agreements with us or our affiliates and are current on all obligations due to us and our affiliates, we will not operate or license others to operate Franchised Units in the Development Area during the Development Term, except for (i) Franchised Units acquired by us from you; (ii) Franchised Units already subject to a Franchise Agreement at the time of execution of this Agreement; and (iii) Franchised Units developed at certain locations where we are not free to designate you as the Developer or franchisee, such as military bases, universities, airports, sports and entertainment arenas, and other locations where the developer of the location will not accept you as an operator of a Franchised Unit. The parties acknowledge and agree that the actual damages that may be sustained by you for any breach by us under this Section 2.A are not now and will not in the future be subject to exact calculation and, therefore, you agree that your sole and exclusive remedy for any breach under this Section 2.A shall be limited to the grant by us to you of a credit equal to the lesser of (i) \$25,000, or (ii) the initial franchise fee to be paid by you for the next Franchised Unit developed and opened by you under this Agreement to be taken against the next initial franchise fee to be paid under this Agreement.

B. Alternative Channels. Except as expressly set forth in this Section 2, we (on behalf of ourself and our affiliates) retain the right, in our sole discretion and without granting any rights to you, to (i) ourself operate, or grant other persons the right to operate, restaurants of a different use, trade dress, banner and character at any location and on the terms and conditions as we may deem appropriate; and (ii) ourself sell, or grant other persons the right to sell, the products and services authorized for sale at Franchised Units, through other channels of distribution, including mail order, internet sales or other direct marketing channels, under the System trademarks or otherwise, on the terms and conditions as we may deem appropriate.

3. DEVELOPMENT DEPOSIT.

Simultaneously with the execution of this Agreement, you are paying to us, by certified check or wire transfer, a deposit against initial franchise fees payable for the Required Franchised Units (the “**Development Deposit**”) equal to \$_____ [to be negotiated between us]. The Development Deposit shall be nonrefundable but shall be credited against the first _____ [to be negotiated between us] of the initial franchise fee payable for each Required Franchised Unit developed during the Development Term pursuant to this Agreement and in conformity with the Development Schedule. You shall pay the remaining balance of the initial franchise fees for each Required Franchised Unit upon execution of the Franchise Agreement for that Franchised Unit. The initial franchise fees for any Franchised Units other than Required Franchised Units developed during the Development Term shall be paid in full upon execution of a Franchise Agreement. We shall apply the Development Deposit only against your obligation to pay initial franchise fees for those Required Franchised Units which are developed in conformity with the “**Development Schedule**” in **Appendix A**. At the end of each Period, any amounts not so applied shall be forfeited by you to us.

4. FRANCHISE AGREEMENTS.

A. General. This Agreement is not a Franchise Agreement and does not itself grant you any rights to operate Franchised Units or utilize the System. Franchise license rights will be granted only through Franchise Agreements to be entered into between the franchisee of each Franchised Unit and us. You shall have no right to open or operate any Franchised Unit except pursuant to the terms of an executed Franchise Agreement. If you are in compliance with your obligations under this Agreement and upon approval of a site for the proposed Franchised Unit by us, we will prepare and forward to you a Franchise Agreement and related documentation for the Franchised Unit to be located at the approved site. Promptly upon receipt of this Franchise Agreement and related documentation, but in any event before to the earlier of (i) the start of any construction on the site; or (ii) 90 days before the scheduled opening of your Franchised Unit, you shall execute the Franchise Agreement and related documentation and return the signed documentation to us.

B. Developer's Affiliate. Notwithstanding the provisions of Section 1.A of this Agreement, you may meet your obligations by causing an “**affiliate**” of yours to enter into the Franchise Agreement with us for any Franchised Unit, subject to our normal standards of approval for new franchisees (also known as “**Developer's affiliate**” or “**Franchisees' affiliates**” or “**your affiliates**”). (The term “**affiliate**” as used in this Agreement shall have the definition in Section 1.A of this Agreement.) Each Operating Principal and you shall cause the members of your Control Group (as defined in Section 9.E below), at any time upon our request, to sign and deliver to us one or more Guaranties in form and substance acceptable to us, guaranteeing the obligations of your franchise to us under any of your Franchise Agreements.

C. Economic Terms. The form of the Franchise Agreement and related documentation to be signed by the parties for each Franchised Unit developed under this Agreement shall be our current standard form of each document. You acknowledge receipt of a copy of our current standard form of Franchise Agreement and related documents. Each Franchise Agreement executed for a Franchised Unit shall provide for monthly payment to us of royalty fees and marketing fund fees at our current standard terms for new franchisees entering the System and an initial franchise fee in the amount as provided for in **Appendix A**.

5. SITE SELECTION AND APPROVAL.

A. Developer's Responsibility. You assume all cost, liability, expense and responsibility for locating, obtaining and developing sites for Franchised Units and for constructing and equipping Franchised Units at approved sites. You shall not make any binding commitments to purchase or lease a site until after we have approved the site.

B. Request for Site Review and Approval. For each site at which you desire to develop a Franchised Unit, you shall submit to us a written request for our approval of the site. This request shall consist of a preliminary site plan (showing dimensions, building location, ingress and egress and, if parking is to be provided, a parking layout), photographs, a marked map, a demographic analysis on the proposed location, completed forms as designated by us, and, if an existing building or building space is to be utilized, preliminary drawings showing both the interior and exterior proposed remodeling. At our request, you also shall submit to us a copy of

our then-current de-identification policy signed by your landlord and any lender with a security interest in the Franchised Unit pursuant to which these parties agree to permit the modification and alterations required by our de-identification policy.

C. Site Approval. We shall advise you in writing whether a particular site has been approved or disapproved. Approval of any site is at our sole discretion, and we have no obligation to approve any site. Approval of a site may be subject to reasonable conditions imposed by us. Approval of a site by us is effective for 180 days, during which time you must sign a Franchise Agreement for the site and begin construction or the site approval will lapse. However, if you are diligently pursuing obtaining control of a site and obtaining the required permits you shall be entitled to an automatic 90 day extension of the effectiveness of site approval. Our approval of a site is not a representation or a promise by us that a Franchised Unit at that site will achieve a certain sales volume or profitability.

D. Reimbursement of EEL Expenses. We may make various expenditures for the development of prospective Franchised Unit sites by you, including expenditures for travel, lodging, meals, obtaining information about prospective sites including demographic information, traffic counts and local laws and ordinances. You shall promptly notify us of a decision to cease development of a prospective Franchised Unit. If you fail to open a Franchised Unit at any approved site, we, in our sole discretion, may require you to reimburse us for our expenditures for that site. In this event, we shall provide you with an itemized list of our expenditures for that site, and you shall reimburse us for these costs within 30 days after receiving the list.

6. TRAINING.

Before construction of the first Franchised Unit to be opened under this Agreement has been completed, your Operating Principal and, if applicable, your Director of Operations, shall complete, to the satisfaction of us, our current management training program. The provisions of this Agreement shall not limit your obligations to meet any additional training required in any Franchise Agreement for any Franchised Unit.

7. INSURANCE.

You shall be responsible for all loss or damage originating in, or incurred in connection with, the operation or construction of Franchised Units and for all claims or demands for damages to property or for injury, illness, or death of persons directly or indirectly resulting from the operation or construction of the Franchised Units. You shall at all times carry or cause your affiliates to carry the insurance that may be required by the terms of any lease and applicable Franchise Agreements for your Franchised Units, and, in addition, you shall carry the following insurance at all times:

A. Commercial Liability. Commercial liability insurance under a comprehensive general liability form that includes coverage for bodily injury and property damage on an occurrence basis with coverage that includes product/completed operations with policy limits not less than \$1,000,000 primary and \$2,000,000 umbrella/excess liability.

B. Employer's Liability. Employer's Liability Insurance and Worker's Compensation with coverage equal to the greater of: (i) \$100,000; or (ii) the amount required by law in each state in which a Franchised Unit is located. This coverage shall be in effect for all of your employees who participate in the training program referred to in Section 6.

C. Builder's Risk. Builder's Risk Insurance with coverage equal to the greater of replacement cost of the structure and improvements based on current market value or the amount required by your lending institution.

D. Fire. Fire, vandalism and extended coverage insurance with limits of insurance of at least the full replacement value of each Franchised Unit, its furniture, fixtures and equipment.

This insurance coverage shall reflect that we are an additional insured under the commercial general liability coverage and, if we have an insurable interest, that we are an additional insured, as our interests may appear under the fire, vandalism and extended coverage insurance. We may reasonably increase the minimum coverage required and require different or additional kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards or other relevant changes in circumstances. You will deliver to us certificates of insurance and updates or, if we request, copies of the insurance policies.

All policies of insurance must be renewed at least 30 days before expiration. All policies of insurance must contain endorsements requiring the insurer to give us at least 10 days' advanced written notice before terminating, canceling or making changes in any policy. All policies of insurance shall be written by an insurance company that has received an "A" or better rating by the latest edition of Best's Insurance Rating Service. No policy of insurance shall provide for a deductible amount which exceeds \$10,000 and your co-insurance under any policy of insurance shall be 80% or greater.

8. RELATIONSHIP OF THE PARTIES.

This Agreement does not create a fiduciary relationship among the parties. You are an independent contractor with entire control and direction of your operations, subject to the conditions and covenants established by this Agreement. No agency, employment, or partnership is created or implied by the terms of this Agreement and you are not and shall not hold yourself out as an agent, legal representative, partner, subsidiary, joint venturer or employee of ours. You shall have no right or power to, and shall not, bind or obligate us in any way or manner, nor represent that you have any right to do so. The sole relationship between you and us is a commercial, arms' length business relationship and, except as provided in Section 16, there are no third party beneficiaries to this Agreement. Your business is, and shall be kept, totally separate and apart from any that may be operated by us. In all public records, in relationships with other persons, and on letterheads and business forms you shall indicate your independent ownership of all Franchised Units and that you are solely a developer and franchisee of ours.

9. ORGANIZATION OF DEVELOPER.

A. Representations. If Developer is a corporation, a partnership or other legal entity, Developer makes the following representations and warranties: (i) it is duly organized and validly existing under the law of the state of its formation; (ii) it is qualified to do business in the

state(s) encompassed in the Development Area; and (iii) execution of this Agreement and the development and operation of Franchised Units are permitted by its charter documentation.

B. Governing Documents. If Developer is a corporation, copies of its Articles of Incorporation, including the resolution of the Board of Directors authorizing entry into and performance of this Agreement, and all shareholder agreements, including buy/sell agreements, have been furnished to us. If Developer is a partnership, limited liability company, or other entity, copies of Developer's written partnership, operating, or other founding agreement, other governing documents and any amendments and all agreements, including buy/sell agreements, among the owners have been furnished to us, including evidence of consent or approval of the entry into and performance of this Agreement by the requisite number or percentage of owners, if this approval or consent is required by Developer's written agreements.

C. Ownership Interests. If Developer is a corporation, a partnership, a limited liability company or other legal entity, all interests in Developer are owned as listed in **Appendix B**. In addition, if Developer is a corporation, Developer shall maintain a current list of all owners of record and all beneficial owners of any class of voting securities of the corporation. If Developer is a partnership, a limited liability company or other legal entity, Developer shall maintain a current list of all owners of an interest in the entity. Developer shall execute addenda to **Appendix B** as changes occur in order to ensure the information contained in **Appendix B** is true, accurate and complete at all times.

The requirements of this Section shall not apply if, as of the date of this Agreement, Developer is a publicly-held corporation (*i.e.*, a corporation which has a class of securities traded on a recognized securities exchange). If Developer becomes a publicly-held corporation after the date of this Agreement, it shall not be required to execute addenda to **Appendix B**, except for changes in ownership interest of members of the Control Group (defined in Section 9.E).

D. Restrictive Legend. If Developer is a corporation, Developer shall maintain stop-transfer instructions, conspicuously endorsed upon the face of its stock certificates, incorporating the following statement: "This stock is held subject to, and assignment or transfer of this stock is subject to, the restrictions imposed on assignment by our Development Agreement and our Franchise Agreement(s) to which the corporation is a party." These requirements shall not apply to a publicly-held corporation. If Developer is a partnership, limited liability company or other legal entity, your written partnership agreement, operating agreement or other organization documentation shall provide that ownership of an interest in the entity is held subject to, and that assignment or transfer is subject to, all restrictions imposed on assignment by this Agreement.

E. Control Group. If Developer is a corporation, a partnership, a limited liability company or other legal entity, **Appendix B** lists those persons designated by EEL and Developer as Developer's "**Control Group**". If there are any changes in the Control Group or in the ownership interests of any member of the Control Group, Developer shall execute addenda to **Appendix B** to reflect the change. All persons in the Control Group shall jointly and severally guarantee Developer's performance under this Agreement pursuant to a Guaranty in form and substance acceptable to EEL. Additionally, all persons who become part of the Control Group after this Agreement is signed shall execute such a Guaranty at the time they become part of the Control Group. Only if Developer is a publicly-held corporation or a wholly-owned subsidiary

of a publicly-held corporation as of the date of this Agreement, members of the Control Group shall not be required to execute a Guaranty.

F. Operating Principal. Developer shall designate and retain an individual to serve as Operating Principal of Developer. The original Operating Principal is identified in **Appendix B** attached and made a part of this Agreement. The Operating Principal shall meet all of the following qualifications:

(1) If Developer is a corporation, Operating Principal shall, at all times during which he/she serves as Operating Principal, own at least 20% of Developer's outstanding voting securities. If Developer is a partnership, a limited liability company or other legal entity, Operating Principal shall, at all times during which he/she serves as Operating Principal, own at least a 20% interest in the operating profits and operating losses of the entity as well as a 20% ownership interest in the entity. This paragraph shall not apply if Developer is a publicly-held corporation or a wholly-owned subsidiary of a publicly-held corporation as of the date of this Agreement.

(2) Operating Principal, at all times, shall be a member of the Control Group and, at a minimum, have full control over the day-to-day activities of the Franchised Units, including control over the Director of Operations, standards of operation and the financial performance of the Franchised Units.

(3) Subject to the provisions of Section 9.G hereof, Operating Principal shall devote full time to Developer's restaurant businesses and substantial time to the supervision and conduct of the development activities contemplated and the operation of the Franchised Units and, unless Developer is a publicly-held corporation or wholly-owned subsidiary of a publicly-held corporation as of the date of this Agreement, shall execute this Agreement and be individually bound by all obligations of Developer under this Agreement.

(4) Operating Principal shall have successfully completed the training referred to in Section 6 and any additional training required by us.

(5) Operating Principal shall have been approved by us.

(6) If Operating Principal no longer qualifies, Developer promptly shall designate another person acceptable to us to act as Operating Principal. Following our approval of a new Operating Principal, this Operating Principal shall execute an addendum to this Agreement pursuant to which he/she shall be subject to the same obligations and restrictions as the prior Operating Principal.

G. Director of Operations. If Operating Principal devotes less than full time to the supervision and conduct of the development activities contemplated and the operation of the Franchised Units, Developer shall designate and retain an individual to serve as Director of Operations of Developer. The original Director of Operations, if any, is identified in **Appendix B**, attached and made a part of this Agreement. The Director of Operations also may serve as the Director of a Franchised Unit if Developer operates fewer than four Franchised Units in the Development Area. The Director of Operations shall meet all of the following qualifications:

(1) The Director of Operations shall devote full time and best efforts to the supervision and conduct of the development activities contemplated under this Agreement and the operation of the Franchised Units.

(2) The Director of Operations shall have successfully completed the training referred to in Section 6 and any additional training required by us.

(3) The Director of Operations shall have been approved by us.

If the Director of Operations no longer qualifies to be the Director, Developer shall promptly designate another person acceptable to us to act as Director of Operations.

H. Director. In lieu of appointing a Director of Operations, Developer may appoint, in accordance with Section 9.G under this Agreement, a Director for each of its first three Franchised Units operated pursuant to this Agreement.

I. Supervisors. If Developer desires to designate an employee (in addition to the Director of Operations) who will have supervisory authority over the development and operation of more than one Franchised Unit within the Development Area, Developer's designation of this supervisory employee shall be subject to our written approval, which approval shall not be arbitrarily withheld. We shall notify Developer in writing within 14 business days of receipt of Developer's request if we disapprove of this person. Failure by us to so notify Developer within that period shall be deemed to constitute our approval of this person. Developer shall require that any supervisory employee maintain his/her principal personal residence in the Development Area.

10. TRANSFER BY EEL.

We shall have the right to sell, assign or transfer all or any part of its rights or obligations in this Agreement to any person or legal entity.

11. TRANSFERS BY DEVELOPER.

A. EEL Consent Required.

(1) Developer understands and acknowledges that we have entered into this Agreement in reliance on Developer's experience in operating specific businesses, experience in operating high quality restaurants, financial capacity and the specific character and management culture of Developer and its Control Group. Accordingly, Developer shall not, nor shall it allow the

Control Group to, sell, assign, transfer, pledge or encumber, by operation of law or otherwise, (i) a Controlling Percentage of the ownership interest in Developer, or any affiliate of Developer who becomes a party to a Franchise Agreement for a Franchised Unit, (ii) this Agreement or any of the rights granted under this Agreement, or any Franchise Agreements for a Franchised Unit, (iii) the fee or leasehold interest in the real estate upon which the Franchised Unit is located, with or without the Franchise Agreement, or (iv) substantially all of the assets used in the operation of a Franchised Unit, with or without the Franchise Agreement (in each case, a “**Transfer**”) without our prior written consent. Any merger by, with or into an entity, any consolidation, reorganization, or dissolution involving an entity, or any pledge, hypothecation, sale or other transfer, singly or in the aggregate, of equity interests constituting a Controlling Percentage (as defined below) of the equity interests of any entity or the issuance of additional equity interests representing in the aggregate a Controlling Percentage of the equity interests of any entity; or any change in the general partner(s) of an entity, shall constitute a Transfer of such entity for all purposes of this Section 11. The term “**Controlling Percentage**”, as used in this Agreement, shall mean the ownership of stock or other equity interest possessing, and of the right to exercise, at least 33% of the total combined voting power of all classes of stock or other equity interests of such entity, issued, outstanding and entitled to vote, whether the ownership be direct or indirect through ownership of another entity or otherwise.

(2) You, as Developer, shall advise us in writing of a proposed Transfer, submit a copy of all contracts and other proposals about the proposed Transfer and all other information requested by us, and pay a nonrefundable transfer fee of \$10,000 to reimburse us for our costs in reviewing and evaluating the Transfer request. If we exercise our right of first refusal pursuant to Section 11.B, the amount of the transfer fee shall be subtracted from the consideration to be paid by us. If we do not exercise our right of first refusal, the decision whether or not to consent to a proposed Transfer shall be made by us in our sole discretion and shall include numerous factors deemed relevant by us. These factors may include, but will not be limited to, the following:

(a) The proposed transferee must have extensive experience in high quality multiple unit restaurant operations of a character and complexity similar to the System; meet our managerial, operational, experience, quality, character and business standards for a developer; possess a good moral character, business reputation and credit rating; have adequate financial resources and capital to comply with all development schedules under this Agreement; have an organization the management culture of which is compatible with our management culture; and have adequate financial resources and capital to operate the Franchised Units required to be developed in the Development Area. Developer acknowledges and agrees that (i) among the business factors that are deemed to be reasonable for us to consider regarding your request for consent to a proposed Transfer is the direct or indirect involvement by the proposed transferee, or its owners, in any manner with any business that we, in our sole discretion, deem to be competitive with the System business, and (ii) it is deemed to be reasonable for us, on a case-by-case basis, to object to a proposed Transfer, by you to a transferee which is itself involved, or which is owned by parties which are involved, directly or indirectly, in any manner with any business that we, in our sole discretion, deem to be competitive with the System business.

(b) All of Developer’s and Developer’s affiliate’s monetary obligations to us and our affiliates and all other outstanding obligations related to this Agreement and to Franchise

Agreements executed under this Agreement (including, but not limited to, bills from suppliers, taxes, judgments and any required governmental reports, returns, affidavits or bonds) have been satisfied. We reserve the right to require that a reasonable sum of money be placed in escrow to ensure that all the obligations are satisfied.

(c) You, as Developer, and your affiliates must execute a general release, in a form satisfactory to us, of any and all claims against us and our affiliates and their respective past and present members, managers, officers, directors, shareholders, agents and employees, in their representative and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances, and claims arising out of, or relating to, this Agreement, any other agreements between you and your affiliates and us or our affiliates and the operation of the Franchised Units, but excluding any claims the release of which is prohibited by applicable law.

(d) The proposed transferee's Operating Principal and, if applicable, its Director of Operations must complete our initial training program. There will be no tuition charge, but the proposed transferee will be required to pay all travel, living and other expenses incurred by us or Operating Principal and Director of Operations while they are attending training.

(3) If we consent to a proposed Transfer, before the Transfer becomes effective: (a) you shall pay to us an additional nonrefundable transfer fee described in the Franchise Agreement for each Franchised Unit being transferred to reimburse us for additional expenses incurred in providing required training and integrating the transferee into the System; and (b) you and the proposed transferee shall execute any amendments to this Agreement deemed necessary or desirable by us to reflect the transfer of interest.

(4) Our consent to a Transfer will not constitute a waiver of any claims we may have against you, nor will it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement or any Franchise Agreement by the transferee, nor will it be deemed a waiver of our right to give or withhold consent to future transfers. Any Transfer not having our prior written consent shall be null and void and shall constitute a material breach of this Agreement, for which we may terminate this Agreement, without opportunity to cure, upon notice to you.

(5) This Section 11.A shall not be applicable to the Transfer of ownership interests in Developer if, as of the date of this Agreement, Developer is a publicly-held corporation.

(6) Notwithstanding the provisions of this Section 11.A, the issuance of options or the exercise of options pursuant to a qualified stock option plan or a qualified employee stock ownership plan shall not be considered a Transfer and shall not require our prior written consent provided no more than a total of 10% of Developer's outstanding voting securities are subject to the qualified stock option plan or qualified employee stock ownership plan.

B. EEL Right of First Refusal. If at any time, you, as Developer, or your Control Group desire to consummate a Transfer, you shall notify us of that desire, in writing, 30 days before announcing that fact publicly or engaging the services of a broker or sales agent.

If you or your Control Group receives a *bona fide* offer and desire to undertake any Transfer requiring our consent pursuant to Section 11.A, you shall first offer to sell the same interests to us at the same price and on the same terms, which offer we may accept at any time within 30 days after our receipt from you of the terms of the *bona fide* offer. The offer to us shall state the cash value of the offer received by you or your Control Group, and we may exercise our purchase option by paying you or your Control Group the equivalent cash value.

Our failure to exercise our right of first refusal shall not constitute our consent to the proposed Transfer. If we do not exercise our right of first refusal, neither you nor your Control Group may consummate the Transfer at a lower price or on more favorable terms than have been offered to us. We shall again be given a right of first refusal if a transaction does not take place within 180 days after we elect not to exercise our right of first refusal. Neither you nor your Control Group shall ever offer its interest for sale or transfer at public auction, nor at any time shall an offer be made to the public to sell, transfer or assign, through any advertisement, either in the newspapers or otherwise, without first having obtained our written consent to the auction or advertisement.

C. Public Offerings and Private Placements. In addition to the requirements of Section 11.A, before the time that any public offering or private placement of Developer's securities is made available to potential investors, you, at your expense shall deliver to us the offering documents and an opinion of your counsel (addressed to us and in a form acceptable to us) that the offering documents properly use the System trademarks and accurately describe your relationship with us.

12. RESTRICTIONS.

You acknowledge and agree that a breach of this Section by you would cause irreparable injury to us and that it would be without an adequate remedy at law. Accordingly, and in addition to any other relief available to it, we shall be entitled to obtain temporary and permanent injunctive relief without the necessity of proving actual damages or the posting of any bond, which rights are waived by you. To the extent that this Section 12 is deemed unenforceable by virtue of its scope in terms of area or length of time, but may be made enforceable by reduction of either or both, the parties agree that the provisions shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought. We shall have the right, upon written notice to you, to reduce the terms of area or length of time in this Section 12.

A. In-Term Noncompetition. In addition to and not as a limitation on any other restrictions contained in this Agreement, you will not, and will not allow any of your affiliates to, during the term of this Agreement, directly or indirectly, engage in, develop or acquire any interest in, any restaurant business whose menu, method of operation or trade dress is substantially similar to that employed in the System. For purposes of this Agreement, a restaurant that prepares food in exhibition style and sells any grilled sandwiches together with the sale of freshly-squeezed lemonade and freshly-cut french fries will be considered to be substantially similar; but, this does not in any way limit the definition of a substantially similar restaurant. This restriction shall not apply to any of your existing restaurant operations which are identified in **Appendix C**.

B. Post-Term Noncompetition. In addition to and not as a limitation on any other restrictions contained in this Agreement, you will not, and will not allow any of your affiliates to, upon the expiration or earlier termination of this Agreement and for 60 months afterwards, directly or indirectly, engage in, develop or acquire any interest in any restaurant business operating in the Development Area whose menu, method of operation or trade dress is substantially similar to that employed in the System. This restriction shall not apply to any of your existing restaurant operations which are identified in **Appendix C**.

C. Confidentiality. You acknowledge that we own the System, which constitutes trade secrets of EEL, and that all material or other information now or hereafter provided or disclosed to you regarding the System is disclosed in confidence, and you have no right to use the materials and information except as permitted in this Agreement, or disclose any part of it to anyone who is not an employee of yours.

You agree not to disclose any of EEL's trade secrets or to divert or attempt to divert any business or customers to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other acts injurious or prejudicial to the System during the term of this Agreement or after the term.

You and each Operating Principal acknowledge that the existence and terms of this Agreement are confidential and agree to not disclose or allow the disclosure of the same to anyone, including EEL's existing or potential franchisees, at any time from and after the date of this Agreement for any reason; but the information may be disclosed to your banks and attorneys on a need to know basis, subject to the confidentiality provisions. In no case will you or any Operating Principal disclose or allow the disclosure of the information to any other of EEL's existing or potential franchisees or EEL's existing or potential franchisee's employees, owners, officers, directors or agents. You and each Operating Principal acknowledge and agree that if there is any breach of the obligations imposed by this Section 12, we would be irreparably and immediately harmed and could not be made whole by monetary damages. It is accordingly agreed that we, in addition to any other remedy to which it may be entitled in law or equity, shall be entitled to an injunction or injunctions or other comparable relief to prevent or halt the breach of this Section and to compel specific performance. Without limiting the preceding provisions or limiting the rights and remedies otherwise available to us, if you or any Operating Principal, officer or affiliate discloses or allows the disclosure of the terms contained in this Agreement to any outside third party, including, but not limited to any existing or potential System franchisee, the royalty fees for all Franchised Units developed pursuant to this Development Agreement will immediately increase to the then current rate charged all new System franchisees.

D. Application of Restrictions. The restrictions in this Section 12 shall apply to you, Operating Principal and the Control Group, unless Developer is a publicly-held corporation. For Operating Principal and the Control Group (unless Developer is a publicly-held corporation), these restrictions also shall apply for a 30-month period after Operating Principal ceases to act in such capacity and for a 30-month period after any person ceases to be a member of the Control Group. These restrictions shall not apply to the ownership by you, Operating Principal and any member of the Control Group of less than 1% of the stock of a publicly-held corporation engaged in a business similar in any material respect to a Franchised Unit.

13. TERMINATION.

A. Termination Without Cure Period. In addition to the grounds for termination stated elsewhere in this Agreement, we may terminate this Agreement, and the rights granted by this Agreement, upon notice to you without opportunity to cure if:

(1) You or your affiliates Begin Construction (as defined in Section 1.B) of a Franchised Unit at a site before obtaining our approval of the site, or you or your affiliates open a Franchised Unit for business before your receipt of written authorization from us permitting the opening of the Franchised Unit; or

(2) You or your affiliates file a petition in bankruptcy, an arrangement for the benefit of creditors or a petition for reorganization; there is filed against you or your affiliates a petition in bankruptcy, an arrangement for the benefit of creditors or petition for reorganization which is not dismissed within 60 days of the filing; you or your affiliates make an assignment for the benefit of creditors; or a receiver or trustee is appointed for you or your affiliates and not dismissed within 60 days of the appointment; or

(3) You breach your obligations under Section 12; or

(4) Any Transfer occurs without your having obtained our prior written consent; or

(5) Operating Principal, you or your affiliates, an officer or representative of yours or your affiliates or any member of the Control Group is convicted of, or pleads no contest to, a felony charge as defined in the applicable law; a crime involving moral turpitude; or any other crime or offense that is reasonably likely, in the sole opinion of ours, to adversely affect us or the System; or

(6) You or your affiliates remain in default beyond the applicable cure period under any Franchise Agreement or other agreement with us or our affiliates; or

(7) Failure by you to employ a Director of Operations approved by us in accordance with Section 9.G within 90 days of the date of this Agreement or, for a replacement Director of Operations, failure by you to employ the replacement who is approved by us in accordance with Section 9.G within 180 days of the date on which the last Director of Operations who was approved by us ceased to be employed by you in that capacity.

B. Termination Following Expiration of Cure Period.

(1) Except for those items listed in preceding Section 13.A, you shall have 30 days after written notice from us of default in the performance or observance of any of your obligations under this Agreement within which to remedy the default and provide evidence of the remedy to us (the “**Cure Period**”). If any default is not cured within the Cure Period, this Agreement shall terminate without any additional notice to you effective immediately upon expiration of that time, unless we notify you otherwise in writing. Except for monetary defaults and failure to comply with any Development Schedule, if the default cannot be corrected within 30 days, you shall have additional time as reasonably required (not to exceed 60 days) to correct the default if

you begin taking the actions necessary to correct the default during the 30 day Cure Period and diligently and in good faith pursues those actions to completion.

(2) Notwithstanding the provisions of preceding Section 13.B(1), if you default in the payment of any monies owed to us when the monies become due and payable and you fail to pay the monies within 10 days after receiving written notice of default, then this Agreement will terminate effective immediately upon expiration of that time, unless we notify you otherwise in writing.

(3) If you have received three or more notices of default within the previous 12 months, we shall be entitled to send you a notice of termination upon your next default under this Section 13.B within that 12-month period without providing you an opportunity to remedy that default.

C. Statutory Limitations. If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement requires a notice or cure period prior to termination longer than as provided in this Section, this Agreement will be deemed amended to conform to the minimum notice or cure period required by the applicable law or regulation.

14. EFFECT OF TERMINATION.

In the event of termination or expiration of this Agreement, the following shall apply:

A. No Further Development. You shall have no further right to develop and/or open Franchised Units in the Development Area, except you shall be entitled to complete (in accordance with this Agreement) and open a Franchised Unit that has Begun Construction (as defined in Section 1.B) for which a Franchise Agreement has been fully executed provided you have paid us the initial franchisee fee. Termination or expiration of this Agreement shall not affect your right to continue to operate Franchised Units that were open and operating as of the date this Agreement terminated or expired; and

B. No Exclusivity. The exclusivity rights granted to you in the Development Area, if any, shall terminate and we shall have the right to operate or license others to operate System restaurants anywhere in the Development Area; and

C. Return of Materials. You shall promptly return to us all materials and information furnished by us including, without limitation, design and construction specifications and all training materials, but not including materials and information furnished for a Franchised Unit which is then open and operating pursuant to an effective Franchise Agreement; and

D. Payments. You immediately shall pay to us all sums due and owed to us pursuant to this Agreement; and

E. De-Identification. You shall promptly make the modifications or alterations to any building or space that has been partially or fully constructed or remodeled pursuant to this Agreement (other than Franchised Units then open and operating pursuant to effective Franchise Agreements and Franchised Units not yet opened if the Franchise Agreements for the units have

been fully executed provided you have paid us the initial franchise fees) as may be necessary to distinguish the building or space from a Franchised Unit and make the specific additional changes as we may request for that purpose; and

F. Infringement. You will not, except for a Franchised Unit which is then open and operating pursuant to an effective Franchise Agreement and a partially constructed Franchised Unit for which a Franchise Agreement has been fully executed provided you have paid us the initial franchise fee: (i) operate or do business under any name or in any manner that might tend to give the general public the impression that you are connected in any way with us or have any right to use the System or the System trademarks; (ii) make use or avail yourself of any of the materials or information furnished or disclosed by us under this Agreement or disclose or reveal any materials or information or any portion of these materials or of this information to anyone else; or (iii) assist anyone not licensed by us to construct or equip a restaurant substantially similar to a Franchised Unit; and

G. Economic Benefits. If this Agreement terminates for reason of your default of your obligations under this Agreement, then, in addition to any and all other rights which we may have as a result, (i) we shall retain any and all previously unapplied deposits and prepayments described in Section 3; and (ii) the royalty rates applicable to all Franchised Units shall automatically increase to the then standard rate imposed by us on new franchises; and

H. No Release. The expiration or termination of this Agreement shall not otherwise discharge or release you, as Developer, or any Operating Principal from any liability or obligation then accrued, or any liability or obligation continuing beyond the termination of this Agreement.

15. APPROVALS AND WAIVERS.

No failure by any party to this Agreement to exercise any power given to it under this Agreement, or to insist on strict compliance by any other party with any obligation or condition under this Agreement, and no custom or practice of the parties at variance with the terms shall constitute a waiver of this party's right to demand exact compliance with the terms. Acceptance by any party of any sums due this party under this Agreement shall not be deemed a waiver by this party of any provision. Waiver by any party of any particular default by any other party shall not affect or impair this party's rights, for any additional default of the same or of a different nature; nor shall any delay or omission by any party to exercise any rights from a default that affects or impairs this party's rights as to this default or any subsequent default. Any party's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of any other party's consent to or approval of any subsequent act.

16. INDEMNIFICATION.

A. General. You shall, at all times, indemnify, defend (with counsel approved by us), and hold harmless (to the fullest extent permitted by law) us, our subsidiaries, affiliates, successors and assigns and our and their respective past and present members, managers, directors, officers, employees, agents and representatives (collectively "**Indemnitees**") from and against all "**Losses and Expenses**" (as defined in Section 16.B below) incurred for any action, suit, proceeding,

claim, demand, investigation or inquiry (formal or informal) by or against Indemnitees (as defined above in this Section 16.A) or any settlement (whether or not a formal proceeding or action had been instituted), arising out of or resulting from or connected with the development, construction, use or operation of Franchised Units or any fixture, equipment, goods, merchandise or products used or sold in or at the Restaurants; but you shall have no obligation to indemnify us from and against any of these costs, expenses, attorneys' fees, losses, liabilities, damages, claims and demands to the extent the same arises from or relates to any defect in a product or the design of a product manufactured and directly supplied by EEL or if caused directly by our gross negligence or willful or reckless misconduct. We shall give you notice of any action, suit, proceeding, claim, demand, inquiry or investigation filed or instituted against us ("**Claim**"); and upon request, shall furnish you with copies of any documents about these matters as you may reasonably request.

B. Losses and Expenses. As used in this Section 16, the phrase "**Losses and Expenses**" shall include, but not be limited to, all losses, compensatory, exemplary and punitive damages, fines, charges, costs, expenses, attorneys' fees, court costs, settlement amounts, judgments, compensation for damages to our reputation and goodwill, costs of or resulting from delays, financing; costs of advertising material and media time/space and the costs of changing, substituting or replacing the same, and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred for the matters described.

17. ENTIRE AGREEMENT.

This Agreement and the Appendices attached and incorporated as part of this Agreement, if any, contain the entire agreement of the parties about the subject matter of this Agreement, and there are no oral or written representations, inducements, promises, agreements, arrangements or undertakings among the parties to this Agreement other than those set forth and duly executed in writing. No agreement of any kind shall be binding upon any party unless and until the same has been made in writing and duly executed by all parties. This Agreement shall not be modified or amended except by written agreement executed by all parties to this Agreement. Upon execution of this Agreement by us, all previous oral or written agreements, contracts, arrangements or undertakings of any kind relative to the rights granted are canceled, and all claims and demands of Developer are fully satisfied. Notwithstanding any other provision in this Agreement or in any related agreement to the contrary, nothing herein or therein is intended to disclaim the representations made by us in the franchise disclosure document previously delivered to you, to the extent prohibited by law.

18. DISPUTE RESOLUTION: INJUNCTIVE RELIEF; VENUE; CONSENT TO JURISDICTION; ARBITRATION; WAIVER OF JURY TRIAL; ENFORCEMENT; SURVIVAL.

A. Injunctive Relief. Notwithstanding any other provision hereof to the contrary, we shall be entitled, without bond, to the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement to compel conduct, or to prohibit conduct or threatened conduct, for which no adequate remedy at law may be available or which may cause us irreparable harm including, without limitation, breaches by you or your affiliates of your obligations under Section 1 (Development), Section 2 (Exclusive Rights);

Section 11 (Transfers by Developer); Section 12 (Restrictions); Section 13 (Termination); Section 14 (Effect of Termination); Section 16 (Indemnification); and Section 18 (Dispute Resolution, Etc.). Pursuant to the preceding sentence, we are entitled to bring an action seeking temporary or preliminary injunctive relief to compel specific performance of this Agreement, and we shall be entitled to bring any action described in this Section 18.A for injunctive relief as an alternative or supplement to dispute resolution, without first conducting the dispute resolution procedure set forth in Section 18.F below.

B. Venue. Except to the extent prohibited by applicable state law, you and we agree that any legal action, arbitration, dispute resolution or litigation between or among you, us and your affiliates shall be conducted in Columbus, Ohio or, if our principal place of business is not then located in Columbus, Ohio, the city where we then have our principal place of business. All lawsuits initiated shall be filed in the Federal District Court for the Southern District of Ohio, Eastern Division, or the Common Pleas Court of Franklin County, Ohio (or, if our principal place of business is not then located in Columbus, Ohio, in the Federal District Court or appropriate state court located in or closest to the city where we have our principal place of business). Subject to the provisions of Section 18.F hereof, you and your affiliates hereby consent to the exclusive jurisdiction and venue to the courts.

C. EEL's Right to Pursue Rights and Remedies on Collection Matters. Notwithstanding any other provision hereof to the contrary, including the provisions of Section 18F hereof, nothing shall restrict our ability to pursue our rights and remedies against you to collect amounts owed to us hereunder or under any other agreements or arrangements between us (including but not limited to, conditional assignments of lease, subleases, guarantees under your Franchise and/or Development Agreements, promissory notes, settlement agreements) in such manner as we may elect. Without limiting the foregoing, we are entitled to bring an action against you in court to pursue any or all such rights and remedies, involving the collection of amounts owed us, hereunder or otherwise. We are entitled to bring any such action as an alternative or supplement to dispute resolution initiated by you or us under Section 18.F, without first initiating or completing the dispute resolution procedure set forth in Section 18.F.

D. Applicable Law. Except to the extent governed by the U.S. Trademark Act of 1946 (as amended), the validity, terms, performance and enforcement of this Agreement and any issues related in any way to this Agreement or to a breach or alleged breach of this Agreement shall be governed by, and this Agreement shall be deemed to have been entered into under, the laws of the State of Ohio applicable to agreements that are negotiated, executed, delivered and performed solely in the State of Ohio.

E. Waiver. Each waives their rights to demand a trial by jury in any action or proceeding arising out of or related to the negotiation, execution, delivery, performance or breach of this Agreement or any relationship or transaction between you and us, regardless of the framing of any cause of action as lying in contract or tort or arising out of a statute.

F. Dispute Resolution.

(1) Subject to the provisions hereof, you and we (including also your and our respective affiliates, owners, officers, directors, agents and employees) will attempt to resolve promptly by

good faith negotiations, in accordance with the dispute resolution procedures provided in this sub-section, any controversy, dispute or claim between or among you and us and our respective affiliates (the “**Dispute**”). If a Dispute arises, the disputing party must give the other party written notice describing the Dispute. Within 20 days after receipt of any such notice, the receiving party must submit to the other a written response. The notice and response must include a statement of the submitting party’s position and a summary of the evidence and arguments supporting its position. You and we agree to meet, and to cause our respective affiliates to meet, at EEL’s headquarters on a mutually agreeable date within 30 days of the receiving party’s receipt of the notice of Dispute to attempt to resolve the Dispute. At such meeting, each party will be represented by a person authorized to settle the Dispute. Notwithstanding the foregoing, we are not required to follow this Dispute resolution procedure before: terminating this Agreement; commencing any action for injunctive relief pursuant to the provisions of Section 18A; commencing any legal action for collection of amounts owed to us pursuant to the provisions of Section 18C; or commencing legal action related to other agreements between you and us relating to the Restaurant, including but not limited to, conditional assignment of lease, sublease (including repossession), guarantees under your Franchise and/or Development Agreements, promissory notes, settlement agreements or any other agreements you and we may have.

(2) Except as provided in Section 18.A and 18C, all Disputes that are not resolved by negotiation within 30 days of the receiving party’s receipt of the notice of Dispute as provided in Section 18.F(1), above, shall be resolved by arbitration pursuant to the following provisions. The arbitration shall be administered by the American Arbitration Association (“**AAA**”). The arbitration shall be governed exclusively by the United States Arbitration Act (9 U.S.C. §1, et seq.), without reference to any state arbitration statutes. Each party shall submit or file any claim that could constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim that is not submitted or filed in this proceeding shall be barred. The arbitration proceedings shall be conducted by one arbitrator in accordance with the then current commercial arbitration rules of the AAA, except the parties shall be entitled to limited discovery at the discretion of the arbitrator who may, but are not required to, allow depositions. The arbitration proceedings shall be conducted on an individual basis and not on a multi-plaintiff, consolidated, collective or class-wide basis. The arbitrator shall have the right to award the relief that he or she deems proper, consistent with the terms of this Agreement, including compensatory damages (with interest on unpaid amounts from date due), specific performance, injunctive relief, legal fees and costs. The award and decision of the arbitrator shall be conclusive and binding on all parties, and judgment upon the award may be entered in any court of competent jurisdiction. Any right to contest the validity or enforceability of the award shall be governed exclusively by the United States Arbitration Act. No arbitration findings, conclusions, orders or awards may be used to collaterally estop either party from raising any like or similar issue in any other arbitration, litigation, court hearing, or other proceeding involving third parties or other franchisees.

(3) Each party waives, to the fullest extent permitted by law, any right or claim to any punitive or exemplary damages against the other.

G. Survive Expiration or Termination. The provisions of this Section 18 shall continue in full force and effect after the expiration or termination of this Agreement.

19. EFFECT OF STATE LAWS; SEVERABILITY.

If any provision of this Agreement, or its application to any person, entity or circumstance, is invalid or unenforceable, then the remainder of this Agreement or the application of this provision to other persons, entities or circumstances shall not be affected. Headings are for convenience and reference only. The words contained in the headings shall not be held to expand, modify, amplify or aid in the interpretation, construction or meaning of this Agreement. All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement or any section or clause in this Agreement may require, as if this word had been fully and properly written in the appropriate number and gender.

20. NOTICES.

Any notice, request or demand permitted or required to be given under this Agreement shall be in writing and sent by United States certified mail, return receipt requested, postage prepaid, or by any national overnight delivery service utilizing a return receipt, addressed to us to the attention of the Chairman with a copy to the Legal Department at 1099 Sullivant Avenue, Columbus, Ohio 43223, and to Developer or Operating Principal at the notice address in **Appendix A**, or at another address as either of the parties may designate by written notice from time to time and given in the manner as provided in this Agreement. All such notices, requests and demands shall be deemed given the earliest of: (a) upon receipt; (b) refusal of the addressee to receive the same, as indicated on the return receipt; (c) three business days after mailing with proof of mailing receipt or tracking slip if certified mail; or (d) one business day after overnight mailing with a proof of mailing receipt or tracking slip.

21. COSTS AND EXPENSES OF ENFORCEMENT.

If you fail to comply with any provision of this Agreement, you shall pay to us, upon demand, the reasonable costs and expenses, including reasonable attorneys' fees, incurred by us for any enforcement of any provision.

22. REPRESENTATIONS BY DEVELOPER.

You represent, acknowledge and warrant to us that:

A. Developer Information. All information provided to us by you for the approval of you as a “**developer**” under this Agreement and the application submitted for approval is truthful and accurate.

B. EEL Information. You acknowledge that you received our Franchise Disclosure Document by 14 calendar days before the earlier of (a) your execution of this Agreement or any other binding agreement about the rights granted; or (b) your payment of any monies to us or our affiliates for the rights granted in this Agreement. You acknowledge that you received a copy of your Development Agreement containing all material terms in this final Agreement at least five business days prior to the date of its execution. You acknowledge that you have had an opportunity to read our Franchise Disclosure Document and that no representations have been

made to you which are inconsistent with information presented in our Franchise Disclosure Document and that you have not relied upon any representations inconsistent with or not contained in the Franchise Disclosure Document.

C. Independent Review. You acknowledge that you have had the opportunity to conduct an independent investigation of the development arrangement offered and to seek independent counsel concerning the arrangement. You acknowledge that the development arrangement involves risks and the success of you will depend largely upon your ability. You acknowledge that you have not received any warranty or guarantee, expressed or implied, as to the actual or potential volume, earnings, profits or success of the Franchised Units. No representation, promise, guarantee or warranty was made to induce the execution of this Agreement or in connection herewith which is not expressly contained in this Agreement. You recognize that neither we nor any other person can guarantee your success. By the execution and acceptance of this Agreement, the parties to this Agreement acknowledge that they have read the same and understand each provision. This Agreement, although drafted by us, shall be construed fairly and reasonably, and not more strictly against one party than against the other party to this Agreement.

D. All Consents. You represent that you have all necessary consents and approvals to enter into this Agreement and that the signing of this Agreement by you shall not cause you to be in default or violation of any other agreement with others and that you are duly authorized to sign and enter into this Agreement and related franchise documents.

23. ACCORD AND SATISFACTION.

You shall not send to us payments marked “paid-in-full”, “without recourse”, or similar language. If you send a payment, we may accept it without losing any of our rights to collect the full amount owed and you will remain obligated to pay any amount owed to us regardless of the utilization of this language. **All written communications concerning disputed amounts, including any check or other payment instrument indicating that the payment constitutes payment in full of the amount owed or that it is tendered with other conditions or limitations or as full satisfaction of a disputed amount, must be mailed or delivered to Escape Enterprises, Ltd., ATTN: Accord and Satisfaction Payments Department, at our address designated for delivery of notices under this Agreement.**

24. BINDING AGREEMENT.

This Agreement may be executed in counterparts and delivered by facsimile, but all of which taken together shall constitute a signed instrument and shall be accepted when signed by us. This Agreement, including the Appendices attached, is binding and shall inure to the benefit of the parties, their permitted successors and assigns, if any, as provided in this Agreement. This Agreement is executed by the duly authorized parties intending to be legally bound, and each represents that it has had legal representation or has had the opportunity for legal representation or has knowingly declined to have legal representation.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

ESCAPE ENTERPRISES, LTD., by
Escape Enterprises, Inc., manager

By: _____
Name: Kennard M. Smith
Its: Chairman of the Board

[*DEVELOPER*]

By: _____
Name: _____
Its: _____

[*OPERATING PRINCIPAL*]

By: _____
Name: _____
Its: _____

APPENDIX A – DEVELOPMENT INFORMATION

1. **Expiration Date of Development Term (Section 1.A):** _____
2. **Development Area (Section 1.A):** _____
3. **Development Schedule (Section 1.B):** A minimum of _____ Required Franchised Units, to be developed as follows:

<i>Development Period</i>	<i>Number of Required Franchised Units to First Become Operative During Development Period</i>	<i>Cumulative Number of Required Franchised Units to be Open and Operating Prior to End of Development Period</i>
1 st Period: _____ to _____	____ Units	_____
2 nd Period: _____ to _____	____ Units	_____
3 rd Period: _____ to _____	____ Units	_____
4 th Period: _____ to _____	____ Units	_____
5 th Period: _____ to _____	____ Units	_____

4. **Initial Franchise Fee for each Franchised Unit opened pursuant to this Agreement:**

5. **Notice Address for Developer and Operating Principal:** _____

APPENDIX B – OWNERSHIP

The number of authorized shares or ownership units of Developer which have been issued is * _____ and the name, address, number of shares or units owned (legally or beneficially), office held by, and spouse of each owner of an equity interest in Developer is as follows:

<i>NAME</i>	<i>ADDRESS</i>	<i>SHARES OR UNITS OWNED</i>	<i>OFFICE HELD</i>	<i>SPOUSE</i>

CONTROL GROUP

For purposes of this Agreement, Developer's Control Group shall be comprised of the following individuals:

OPERATING PRINCIPAL

For purposes of this Agreement, Developer's original Operating Principal shall be:

DIRECTOR OF OPERATIONS

For purposes of this Agreement, Developer's original Director of Operations, if any, shall be:

**APPENDIX C – EXISTING RESTAURANT OPERATIONS EXCLUDED
FROM SECTIONS 12.A & B**

The following restaurants operated by Developer shall be excluded from the restrictions contained in Sections 12.A and B.

EXHIBIT B-4

UNCONDITIONAL CONTINUING GUARANTY OF DEVELOPMENT AGREEMENT AND AGREEMENT TO BE BOUND BY RESTRICTIVE COVENANT (The “Guaranty”)

FOR VALUE RECEIVED and in consideration for and as an inducement to **ESCAPE ENTERPRISES, LTD.**, an Ohio limited liability company, located at 1099 Sullivant Avenue, Columbus, Ohio 43223 (“**EEL**”), to enter into a Development Agreement of even date herewith (the “**Development Agreement**”) _____, a _____, located at _____ (the “**Developer**”) granting to Developer certain rights to develop Franchised Units (such term and all other capitalized terms used in this Guaranty having the respective meanings attributed to the terms in the Development Agreement unless otherwise defined in this Guaranty) under the terms of the Development Agreement, each of the undersigned (collectively referred to as the “**Guarantors**” and, individually referred to as a “**Guarantor**”) does jointly and severally as of the ____ day of _____, 20__:

(d) Represent and warrant to EEL that Guarantor has financial interest in Developer that Guarantor expects to derive economic benefit from the execution, delivery and performance of the Development Agreement;

(e) Unconditionally and absolutely guarantee to EEL the full and timely payment, and the due and punctual performance and observance of all liabilities and obligations of Developer and its affiliates under the Development Agreement or under any other contract or agreement entered into in connection therewith including, if applicable, any Franchise Agreement between EEL and Developer or any of Developer’s affiliates for any Franchised Units (the “**Guaranteed Obligations**”); and

(f) Indemnify and hold EEL, its successors and assigns, harmless from and against any and all liability, loss, damage or expense, including attorneys’ fees and court costs (including those incurred in the enforcement hereof), which EEL, its successors or assigns, may incur or sustain by reason of the failure of Developer or its affiliates to fully perform and observe the terms and conditions of the Development Agreement or the other Guaranteed Obligations (the “**Damages**”).

Section 6 Absolute and Unconditional Obligation of Guarantor. All obligations of each Guarantor under this Guaranty shall be absolute, unconditional and continuing and shall remain in full force and effect until all of the Guaranteed Obligations and other obligations of Guarantors under this Guaranty (whether existing or hereafter incurred) shall have been paid and discharged in full or otherwise satisfied. The obligations of any Guarantor under this Guaranty shall not be released, discharged, affected, modified or impaired by reason

of the happening from time to time of any event, including, without limitation, any one or more of the following:

6.1 Compromise, etc. The compromise, settlement, release, discharge or termination of any or all of the Guaranteed Obligations, by operation of law or otherwise, except by payment and performance in full of the Guaranteed Obligations pursuant to the terms of the Development Agreement or any other agreement, document or instrument pursuant to which Developer or any other person is obligated to EEL (collectively with the Development Agreement, the “**Documents**”);

6.2 Failure to Give Notice. The failure of EEL to give notice to Guarantors of the occurrence of any default under any of the Documents;

6.3 Waiver. The waiver by EEL of the payment, performance or observance of any of the Guaranteed Obligations;

6.4 Extension. The extension of the time (whether one or more) for payment of any sum constituting Guaranteed Obligations or of the time for performance of any other Guaranteed Obligation, or the extension or the renewal of any Guaranteed Obligation;

6.5 Modification. The modification or amendment (whether material or otherwise) of any of the Guaranteed Obligations, whether set forth in the Development Agreement or any other Document, in accordance with the provisions thereof or otherwise;

6.6 Action or Inaction. The taking of or omission to take any action under any Document;

6.7 Invalidity, etc. The invalidity or unenforceability of any term or provision of any Document, or any loss or release or substitution of, or other dealing with, any of the payments due under the Documents constituting Guaranteed Obligations or otherwise;

6.8 Delay. Any failure, omission or delay on the part of EEL to enforce, assert or exercise any right, power or remedy conferred in any Document, or any other act or acts on the part of EEL;

6.9 Bankruptcy. The voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantial all of the assets, marshaling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, arrangement, composition with creditors or readjustment of, or other similar proceedings affecting Developer or its affiliates or its or their assets, or any allegation of invalidity or contest of the validity of this Guaranty in any of these proceedings;

6.10 Default by Guarantor. The default or failure of any Guarantor to fully perform any of its obligations set forth in this Guaranty, the occurrence of any event of default under the Development Agreement, or the default or failure of any other person to fully perform any of its obligations set forth in this Guaranty or in any Document;

6.11 Missing Agreements. The failure of any agreement, instrument, certificate, or other document to be executed or delivered in connection with the Development Agreement; or

6.12 Miscellaneous. Any other event, circumstance, right, claim or defense of any character whatsoever, whether or not similar to the foregoing.

Section 7 No Consent or Notice. EEL may, at any time and from time to time, without consent of, or notice to, Guarantors, do any, some, or all of the following without thereby impairing or releasing the obligations of any Guarantor under this Guaranty:

7.1 Amendments. Change the manner, place or terms of payment, or change or extend the time of payment of, or renew or alter, the terms of any obligations of payment of Developer or its affiliates to EEL, and the guarantee in this Guaranty shall apply to the obligations of payment of Developer or its affiliates to EEL as so changed, extended, renewed or altered;

7.2 Action or Inaction. Exercise or refrain from exercising any rights against Developer, any other guarantor of the Development Agreement or of any other Guaranteed Obligations, or any other person, or otherwise act or refrain from acting; or

7.3 Settle or Compromise. Settle or compromise any obligations of payment of Developer or its affiliates, or any other Guarantor of the obligations of Developer or its affiliates to EEL or subordinate the payment of all or any part thereof to the payment of any liability (whether due or not) to creditors of Developer or its affiliates other than EEL.

Section 8 Rights of EEL and Related Matters.

8.1 Enforcement. Each Guarantor agrees that this Guaranty may be enforced by EEL without first resorting to or exhausting any other remedy available under the Development Agreement, any other guaranty of the Development Agreement, any other Document, or otherwise; provided, however, that nothing contained in this Guaranty shall prevent EEL from resorting to any right or remedy available to it.

8.2 Benefit. Each Guarantor agrees that this Guaranty will inure to the benefit of and may be enforced by EEL, its successors and assigns, any duly authorized agent of EEL, and any subsequent holder of any instrument evidencing any of the Guaranteed Obligations, and shall be binding on and enforceable against each Guarantor, its heirs, representatives, successors and assigns. If any of the Guaranteed Obligations are assigned by EEL, this Guaranty will inure to the benefit of EEL's assignee, and to the benefit of any subsequent assignee, to the extent of the assignment or assignments; provided, however, that no assignment will operate to relieve any Guarantor from any duty to EEL under this Guaranty regarding any unassigned obligation.

8.3 Waiver of Notice, Event of Default under the Agreement, etc. Each Guarantor waives notice of any event of default under any Document and presentment, protest, notice of dishonor and demand for payment of or regarding any obligation of payment of Developer or its affiliates to EEL or any instrument or other writing evidencing or securing any obligation of payment of Developer or its affiliates to EEL.

8.4 Subordination as to Guarantor. Each Guarantor subordinates any and all claims which it now has, or in the future may acquire, as creditor, employee, contributor to the capital of Developer or its affiliates or otherwise, to the prior payment and performance in full of any and all of the Guaranteed Obligations to the extent set forth in this Section 3.4. If, before the payment and performance of all of the Guaranteed Obligations, upon the occurrence and during the continuation of an event of default under the Development Agreement or any other Guaranteed Obligation, any Guarantor would, without reference to the provisions of this Section 3.4, be entitled to receive any payment on account of any claim of such Guarantor against Developer or its affiliates, in insolvency proceedings or otherwise, all of these payments shall be made instead to EEL until all of the Guaranteed Obligations have been paid and performed in full, and each Guarantor so directs. If, following the occurrence and during the continuation of an event of default under the Development Agreement or any other Guaranteed Obligation, any Guarantor receives any payment on account of any claim of such Guarantor against Developer or its affiliates, such Guarantor shall immediately pay the same over to EEL to be applied to the payment and performance of all of the Guaranteed Obligations.

8.5 No Defense Limits Guarantor's Obligations. No setoff, counterclaim, reduction, or diminution of any obligation, or any other defense of any kind or nature (excepting payment or performance in fact) which Developer or any Guarantor has or may have against EEL shall limit or in any way affect any Guarantor's obligations under this Guaranty.

8.6 Waiver of Rights to Subrogation and Reimbursement. Each Guarantor waives any right of subrogation to the rights of EEL against Developer, any right of reimbursement by Developer or its affiliates or any other right of recovery that any Guarantor may have against Developer or its affiliates if any Guarantor makes any payment under this Guaranty. Each Guarantor represents and warrants that it has not received any promissory note from Developer or its affiliates or entered into any other written or oral agreement with Developer or its affiliates to the effect that such Guarantor will be reimbursed by Developer or its affiliates if it makes any payments under this Guaranty and has not received any property of Developer or its affiliates as security for any such reimbursement. Each Guarantor covenants and agrees that such Guarantor will not, at any time, accept any promissory note or enter into any written or oral agreement with Developer or its affiliates which has the effect of reimbursing any Guarantor for any payments that it may make under this Guaranty, accept any property of Developer or its affiliates as security for any such reimbursement, or make any claim for reimbursement or that any Guarantor should be subrogated to the rights of EEL against Developer or its affiliates. The waivers, representations, warranties, covenants and agreements contained in this paragraph are for the benefit of and may be enforced by EEL and Developer or its affiliates and their respective successors and assigns, including, without limitation, any trustee in bankruptcy of Developer or its affiliates.

8.7 Waiver of Notice of Acceptance. Each Guarantor expressly waives notice from EEL of its acceptance of and reliance upon this Guaranty, and of any future creation, renewal or accrual of any of the Guaranteed Obligations, and any and every obligation of payment and performance of Developer or its affiliates to EEL shall conclusively be presumed to have been created, contracted or incurred in reliance upon this Guaranty.

Section 9 Restrictive Covenant and Confidentiality. Each Guarantor acknowledges that it has received and reviewed a copy of Section 12 of the Development Agreement (relating to confidential information and non-competition provisions) and agrees to be bound by the terms of this Section as though it were a party to the Development Agreement.

Section 10 Miscellaneous.

10.1 Notices. Any notice, request or demand permitted or required to be given under this Guaranty shall be in writing and sent by United States certified mail, return receipt requested, postage prepaid, or by any national overnight delivery service utilizing a return receipt, addressed to EEL to the attention of the Chairman with a copy to the Legal Department at 1099 Sullivant Avenue, Columbus, Ohio 43223; and to Guarantor at the notice address in **Exhibit A** of the Development Agreement, or at another address as either of the parties may designate by written notice from time to time and given in the manner as provided in this Guaranty. All such notices, requests and demands shall be deemed given the earliest of: (a) upon receipt; or (b) upon refusal of the addressee to receive the same, as indicated on the return receipt; or (c) three business days after mailing with proof of mailing receipt or tracking slip if certified mail; or (d) one business day after overnight mailing with a proof of mailing receipt or tracking slip.

10.2 Agreement to Pay Fees and Expenses. If Guarantor should fail in the payment or performance of any of the Guaranteed Obligations or should fail to comply with any provision of this Guaranty, Guarantor shall pay to EEL, upon demand, the reasonable costs and expenses, including reasonable attorneys' fees, incurred by EEL in connection with any enforcement of EEL's rights regarding this failure.

10.3 Waiver. No delay on the part of EEL in exercising any of its options, powers or rights under this Guaranty, or any partial or single exercise of this Guaranty, shall constitute a waiver thereof. No waiver of any of the respective rights or obligations of EEL under this Guaranty, and no modification or amendment of this Guaranty, will be deemed to be effective unless the same shall be in writing, duly signed on behalf of EEL and Guarantors. Each waiver, if any, will apply only regarding the specific instance and for the specific purpose given, and will in no way impair the rights of EEL or the obligations of Guarantors to EEL in any respect at any other time. No notice to or demand on Guarantors in any case will entitle Guarantors to any other or further notice or demand in similar or other circumstances. See also Section 5.11(v).

10.4 Amendment. This Guaranty shall not be deemed to be amended, modified or limited orally or by any course of conduct or dealing or any manner other than by a writing signed by the party against which this amendment, modification or limitation is sought to be charged.

10.5 No Release. The provisions of this Guaranty notwithstanding, no rights or privileges of EEL under the Development Agreement or any other agreement, document or instrument pursuant to which Developer is obligated to EEL shall in any way be diminished or released by this Guaranty.

10.6 Severability. In case any clause, provision or section of this Guaranty, or any covenant, stipulation, obligation, agreement, act, or action, or part of this Guaranty, made, assumed, entered into, or taken under this Guaranty, or any application thereof, is for any reason held to be illegal, invalid or inoperable, such illegality, invalidity, or inoperability shall not affect the remainder of this Guaranty or any other clause, provision or section or any other covenant, stipulation, obligation, agreement, act or action or part thereof, made, assumed, entered into, or taken under this Guaranty, which shall at the time be construed and enforced as if such illegal or invalid or inoperable portion were not contained in this Guaranty, nor shall such illegality or invalidity or inoperability or any application thereof affect any legal and valid and operable application of this Guaranty, from time to time, and each such clause, provision or section, covenant, stipulation, obligation, agreement, act, or action, or part thereof shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent from time to time permitted by law.

10.7 Captions. The captions or headings in this Guaranty are for convenience only and in no way define, limit or describe the scope or intent of any provision or section of this Guaranty.

10.8 Entire Agreement. This Guaranty sets forth the entire understanding of the parties and supersedes any and all prior agreements, arrangements, and understandings relating to the subject matter of this Guaranty.

10.9 Separate Instrument. This Guaranty constitutes a separate instrument, enforceable in accordance with its terms, and neither this Guaranty nor the obligations of Guarantors under this Guaranty shall, under any circumstance or in any legal proceedings, be deemed to have merged into or with any other agreement or obligation of Guarantors.

10.10 Third Parties. Nothing in this Guaranty expressed or implied is intended or shall be construed to confer upon or give any person other than the parties to this Guaranty and their successors or assigns, any rights or remedies under or by reason of this Guaranty.

10.11 Rights and Remedies.

(i) **Injunctive Relief.** Notwithstanding any other provision hereof to the contrary, EEL shall be entitled, without bond, to the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Guaranty to compel conduct, or to prohibit conduct or threatened conduct, for which no adequate remedy at law may be available or which may cause EEL irreparable harm, including, without limitation, breaches by Guarantor or Guarantor's affiliates of Guarantor's obligations under Section 4 (Restrictive Covenant and Confidentiality) hereof. Pursuant to the preceding sentence, EEL is entitled to bring an action seeking temporary or preliminary injunctive relief to compel specific performance of this Guaranty and EEL shall be entitled to bring any action described in this Section 5.11(i) for injunctive relief as an alternative or supplement to dispute resolution, without first conducting the dispute resolution procedure set forth in Section 5.11(vi) below.

(ii) **Venue; Jurisdiction.** Except to the extent prohibited by applicable state law, Guarantor and EEL agree that any legal action, arbitration, dispute resolution or

litigation between or among Guarantor, EEL and our respective affiliates shall be conducted in Columbus, Ohio or, if EEL's principal place of business is not then located in Columbus, Ohio, the city where EEL then has its principal place of business. All law suits initiated shall be filed in the Federal District Court for the Southern District of Ohio, Eastern Division, or the Common Pleas Court of Franklin County, Ohio (or, if EEL's principal place of business is not then located in Columbus, Ohio, in the Federal District Court or appropriate state court located in or closest to the city where EEL then has its principal place of business). Subject to the provisions of Section 5.11(vi) hereof, Guarantor and Guarantor's affiliates hereby consent to the exclusive jurisdiction and venue to the courts or arbitration location as provided above.

(iii) EEL's Right to Pursue Rights and Remedies on Collection Matters.

Notwithstanding any other provision hereof to the contrary, including the provisions of Section 5.11(vi) hereof, nothing shall restrict EEL's ability to pursue its rights and remedies against Guarantor to collect amounts owed to EEL hereunder or under any other agreements or arrangements between Guarantor and EEL (including but not limited to, conditional assignments of lease, subleases, guarantees under Guarantor's Franchise and/or Development Agreements, promissory notes, settlement agreements) in such manner as EEL may elect. Without limiting the foregoing, EEL is entitled to bring an action against Guarantor in court to pursue any or all such rights and remedies, involving the collection of amounts owed EEL, hereunder or otherwise. EEL is entitled to bring any such action as an alternative or supplement to dispute resolution initiated by Guarantor or EEL under Section 15.11(vi), without first initiating or completing the dispute resolution procedure set forth in Section 15.11(vi).

(iv) Applicable Law. Except to the extent governed by the U.S. Trademark Act of 1946 (as amended), the validity, terms, performance and enforcement of this Guaranty and any issues related in any way to this Guaranty or to a breach or alleged breach of this Guaranty shall be governed by, and this Guaranty shall be deemed to have been entered into under, the laws of the State of Ohio applicable to guaranties that are negotiated, executed, delivered and performed solely in the State of Ohio.

(v) Waiver. In addition to Section 5.3 above, Guarantor and EEL each waive Guarantor's and EEL's rights to demand a trial by jury in any action or proceeding arising out of or related to the negotiation, execution, delivery, performance or breach of this Guaranty or any relationship or transaction between Guarantor and EEL, regardless of the framing of any cause of action as lying in contract or tort or arising out of a statute.

(vi) Dispute Resolution.

- (a) Subject to the provisions hereof, Guarantor and EEL (including also Guarantor's and EEL's respective affiliates, owners, officers, directors, agents and employees) will attempt to resolve promptly by good faith negotiations, in accordance with the dispute resolution procedures provided in this paragraph, any controversy, dispute or claim between or among Guarantor and EEL and our respective affiliates (the "**Dispute**"). If a Dispute arises, the disputing party must give the other party written notice describing the Dispute. Within 20 days after receipt of any such notice, the

receiving party must submit to the other a written response. The notice and response must include a statement of the submitting party's position and a summary of the evidence and arguments supporting its position. Guarantor and EEL agree to meet, and to cause our respective affiliates to meet, at EEL's headquarters on a mutually agreeable date within 30 days of the receiving party's receipt of the notice of Dispute to attempt to resolve the Dispute. At such meeting, each of Guarantor and EEL will be represented by a person authorized to settle the Dispute. Notwithstanding the foregoing, EEL is not required to follow this Dispute resolution procedure before: terminating this Guaranty; commencing any action for injunctive relief pursuant to the provisions of Section 15.11(i); commencing any legal action for collection of amounts owed to EEL pursuant to the provisions of Section 15.11(iii); or commencing legal action related to other agreements between Guarantor and EEL relating to the Developer, including but not limited to, conditional assignment of lease, sublease (including repossession), guarantees under the Franchise and/or Development Agreements, promissory notes, settlement agreements or any other agreements Guarantor and EEL may have.

- (b) Except as provided in Section 5.11(i) and (iii), all Disputes that are not resolved by negotiation within 30 days of the receiving party's receipt of the notice of Dispute as provided in Section 5.11(vi)(a), above, shall be resolved by arbitration pursuant to the following provisions. The arbitration shall be administered by the American Arbitration Association ("AAA"). The arbitration shall be governed exclusively by the United States Arbitration Act (9 U.S.C. §1, et seq.), without reference to any state arbitration statutes. Each party shall submit or file any claim that could constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim that is not submitted or filed in this proceeding shall be barred. The arbitration proceedings shall be conducted by one arbitrator in accordance with the then-current commercial arbitration rules of the AAA, except the parties shall be entitled to limited discovery at the discretion of the arbitrator who may, but is not required to, allow depositions. The arbitration proceedings shall be conducted on an individual basis and not on a multi-plaintiff, consolidated, collective or class-wide basis. The arbitrator shall have the right to award the relief that he or she deems proper, consistent with the terms of this Guaranty, including compensatory damages (with interest on unpaid amounts from date due), specific performance, injunctive relief, legal fees and costs. The award and decision of the arbitrator shall be conclusive and binding on all parties, and judgment upon the award may be entered in any court of

competent jurisdiction. Any right to contest the validity or enforceability of the award shall be governed exclusively by the United States Arbitration Act. No arbitration findings, conclusions, orders or awards may be used to collaterally estop either party from raising any like or similar issue in any other arbitration, litigation, court hearing or other proceeding involving third parties or other franchisees.

(c) Each party waives, to the fullest extent permitted by law, any right or claim to any punitive or exemplary damages against the other.

(vii) Survive Expiration Or Termination. The provisions of this Section 5.11 shall continue in full force and effect after the expiration or termination of this Guaranty.

10.12 Accord and Satisfaction. Guarantor shall not send to EEL payments marked “paid-in-full”, “without recourse”, or similar language. If Guarantor sends such a payment, EEL may accept it without losing any of EEL’s rights to collect the full amount owed, and Guarantor shall remain obligated to pay any amount owed to EEL, regardless of the utilization of this language. **All written communications concerning disputed amounts, including any check or other payment instrument indicating that the payment constitutes payment-in-full of the amount owed or that it is tendered with other conditions or limitations or as full satisfaction of a disputed amount, must be mailed or delivered to Escape Enterprises, Ltd., ATTN: Accord and Satisfaction Payments Department, at EEL’s address designated for delivery of notices hereunder.**

IN WITNESS WHEREOF, the undersigned Guarantor(s) represents that he/she/they have read this Guaranty and the related Documents, have had the opportunity to consult with their financial and legal advisors and have knowingly waived the same, and have duly executed this Guaranty as of the date first above written.

Addresses:

Guarantors:

Name: _____

Name: _____

EXHIBIT B-5

STEAK ESCAPE SANDWICH GRILL™ MANAGEMENT DEVELOPMENT GUIDE TABLE OF CONTENTS

NO. OF PAGES			
		<u>PAGE NO.</u>	<u>DEVOTED TO SUBJECT</u>
I.	INTRODUCTION.....	1	4
II.	SUPERVISOR SKILLS		
	1. Guest Service	1	6
	2. Shift Supervision.....	1	14
	3. Leadership.....	1	7
	4. Role Training.....	1	8
	5. Policy Administration.....	1	17
	6. POS Systems.....	1	40
	7. Product Ordering.....	1	5
III.	DIRECTOR SKILLS		
	1. Recruiting and Hiring.....	1	20
	2. Employment Law.....	1	21
	3. Team Member Development.....	1	25
	4. Scheduling Guidelines.....	1	5
	5. Financial.....	1	20
	6. Product Development	1	5
	7. Store Standards.....	1	23

Total Pages: 220



EXHIBIT B-6
Site Acceptance Request
Restaurant Franchise Agreement

Franchisee: _____

Address: _____

Telephone: () _____

Office

() _____

Local Contact

- A. The following site is submitted to Escape Enterprises, Ltd. (“EEL”) for evaluation as a proposed location for a Steak Escape Sandwich Grill Restaurant:

_____	_____	_____
<i>No.</i>	<i>Street</i>	<i>City</i>
_____	_____	_____
<i>County</i>	<i>State</i>	<i>Zip</i>

- B. Franchisee understands that any review of this site by EEL personnel is on a preliminary basis only and that the final site acceptance is subject to:

1. Granting of the franchise rights to the site being awarded by EEL, and
2. Execution of a Restaurant Franchise Agreement and any and all other required documentation between the Franchisee and EEL, and
3. Approval by EEL of a final site plan.

- C. In accordance with the Restaurant Franchise Agreement, if construction is not completed and the restaurant is not in operation within one hundred eighty (180) days after the restaurant is first deemed under construction, then any acceptance by EEL shall lapse and be of no further force, effect or validity and the restaurant shall not thereafter be deemed under construction. Franchisee agrees to obtain all necessary permits for construction and operation.

- D. Franchisee understands that any acceptance by EEL may be revoked by written notice at any time if a material change in circumstances should occur prior to the restaurant being under construction.
- E. Franchisee in submitting this site represents that EEL's Franchise Sales Department has granted written authorization to pursue sites in the area where this site is located. Written authorization will be given only when EEL receives this Site Acceptance Request.

Date: _____

Submitted by: _____

Title: _____

PROCEDURE FOR SUBMISSION:

The Preliminary Site Review Request and Site Information forms must be signed and completed with all required information and attachments and be accurate.

The Site Information form and this Request should be mailed to:
Escape Enterprises, Ltd., Attention: Development Department, 1099 Sullivant Avenue,
Columbus, OH 43223

Franchisee will be contacted to schedule an on-site review
after the submitted information is evaluated.

Do Not Write Below This Line

_____ Accepted

_____ Rejected

Date: _____

Escape Enterprises, Ltd.

By: _____

Title: _____

**ESCAPE ENTERPRISES, LTD.
STEAK ESCAPE SANDWICH GRILL**

SITE INFORMATION

I. Location of Site

Address _____

City _____ State _____ Zip _____

Township _____ County _____

Looking toward the site, what is located to the Left _____

Right _____ Rear _____ Opposite _____
(Please attach photographs)

Distance from this site to nearest Steak Escape, Steak Escape Sandwich Grill, or Steak Escape ghost location:

Address _____ Road Miles _____ Straight Line _____

Annual Sales \$ _____ Type of Location _____

Address _____ Road Miles _____ Straight Line _____

Annual Sales \$ _____ Type of Location _____

II. Physical Characteristics of Site (Attach Plat or Survey and Site Plan)

Frontage _____ Depth _____ Total Sq. Ft. _____ Useable Sq. Ft. _____

Corner () or Inside () Lot. Above or Below Street Grade +/- _____ feet.

Building Setbacks? Front _____ Sides _____, _____ Rear _____

Parking Setbacks? Front _____ Sides _____, _____ Rear _____

Are Landscape Areas Required? (Y / N) **Describe** Front _____

_____ Rear _____

Sides _____, _____

Any Existing or Proposed Easements? **Describe** _____

Present Zoning _____ Is Steak Escape Sandwich Grill a Permitted Use? _____

Is Rezoning Required? _____ Is Special Use or Variance Required? _____

If Yes, Describe Procedure and Timing: _____

Parking Spaces Required _____ Number Proposed _____

Is Standard Sign Package Permitted? _____ If No, Describe Signage Permitted: _____

What is Setback for Pole/Monument Sign? _____

(Show Location on Site Plan)

Are Utilities Available and Located at Property Line (P/L):

Gas:	Natural _____	LP _____	At P/L? _____
Electric:	Single Phase _____	Three Phase _____	At P/L? _____
Sewer:	City _____	Private System _____	At P/L? _____
Water:	City _____	Private _____	At P/L? _____

If Utilities Not at P/L, Specify Where Located: _____

III. Traffic/Visibility

Distance Site is Visible from: N _____ ft. S _____ ft. E _____ ft. W _____ ft.

Primary Street: Number of Lanes _____ Traffic Count (24 hr.) _____

Traffic Count (11:00 am – 2:00 pm) _____

Secondary Street: Number of Lanes _____ Traffic Count (24 hr.) _____

Median Strip/Center Divider in Primary Street? _____ If Yes, is There a Break in the
Median in Front of Site? _____

Center/Left Turn Lane? (Y / N) Are Left Turns Permitted In and Out of Site? _____

Posted Speed Limit _____ mph. Estimated Actual Rate of Speed _____ mph.

Location of Traffic Signals: Left _____ ft. Right _____ ft.

Does Traffic Back Up in Front of Site? _____ Is Traffic Constant All Day? _____

Rush Hours are _____ to _____ and _____ to _____

Number of Curb Cuts Permitted _____ Width of Curb Cuts _____ ft.

Describe Curb Cut Locations (*Show Locations on Site Plan*) _____

Street Improvements Planned (Relocations, Widening, Median, etc.)

Immediate: _____

2-Year Plan: _____

5-Year Plan: _____

10-Year Plan: _____

Source (Name and Phone Number) _____

IV. **Market Area Profile and Competition**

Population of SMSA _____ County _____ City _____

	<u>1 Mile Radius</u>	<u>2 Mile Radius</u>	<u>3 Mile Radius</u>
Population	_____	_____	_____
% Change	_____	_____	_____
Proj. Growth	_____	_____	_____
Day Pop./# Businesses	_____	_____	_____

	<u>1 Mile Radius</u>	<u>2 Mile Radius</u>	<u>3 Mile Radius</u>
Median HH Income	_____	_____	_____
Median Fam. HH/Inc.	_____	_____	_____
% HH (25/64)+ \$35K	_____	_____	_____
% HH Above \$50K	_____	_____	_____
Median Age	_____	_____	_____
% 25 – 59	_____	_____	_____

Describe the Nature of This Area (Offices, Industrial, Shopping Areas, Residential, etc.)

Describe the Direction of Growth in Trade Area (N, S, E, W) _____

What are the Adjacent Target Market Areas and Distances from Site? Describe Focal Point:

North _____

Distance _____

South _____

Distance _____

East _____

Distance _____

West _____

Distance _____

Competition – List the Direct and Indirect Competition and Their Appropriate Sales (include McDonald's, Burger King, Wendy's, Arby's, KFC, etc.)

Locate and Identify on Attached Map

	Competition	Distance from <u>Proposed Site</u>	<u>Address</u>	<u>Sales Volume</u>
1)	_____	_____	_____	_____
2)	_____	_____	_____	_____
3)	_____	_____	_____	_____
4)	_____	_____	_____	_____
5)	_____	_____	_____	_____
6)	_____	_____	_____	_____
7)	_____	_____	_____	_____
8)	_____	_____	_____	_____
9)	_____	_____	_____	_____
10)	_____	_____	_____	_____

Would potential customers from the population concentration in the Trade Area pass the site on their way to the major shopping area? _____ To the major competition? _____ To other activity in the market? _____

Describe: _____

V. Investment Considerations

LEASE or B.T.S. LEASE:

(Circle One)

Annual Base Rental:

Years _____ to _____, \$ _____
 Years _____ to _____, \$ _____
 Years _____ to _____, \$ _____
 Years _____ to _____, \$ _____

Percentage Rental (If Applicable):
_____ % of sales over \$ _____

Landlord Contribution: \$ _____

Additional Investment (if any):

Building \$ _____

Site Work \$ _____

Signs \$ _____

F,F&E \$ _____

A,E&P \$ _____

Other \$ _____

Proposed building to be developed: New Construction (Y / N) Size _____

Remodel (Y / N) Remodel (Dimension & Square Footage): _____

Start of Construction _____ Restaurant Opening _____

VI. Decision Logic

What have you determined to be the positive qualities of this site that should produce a successful Steak Escape Sandwich Grill restaurant?

VII. Accompanying Information

The following information/exhibits are attached:

- () Work Map – Show location of site, other target areas, existing Steak Escape or Steak Escape Sandwich Grill locations, direct/ indirect competition, major retail and employment.
- () Site Plan – Indicate type of building proposed, curb cuts, parking, building, setbacks. If a pad site, show required easements (driveway, parking, ingress and egress, etc.
- () Photographs – Provide ground level photos of site. (See Attached)

- () Aerial (if available) – Show site and any pertinent area highlights.
- () Contract or Lease.
- () Topographic Survey.
- () Traffic Data, include copies of published counts.
- () Detailed Area Map. (See Attached)
- () Demographic Reports

EXHIBIT B-7

SUMMARY OF ACKNOWLEDGMENTS

Franchisee: _____

Type of Entity: _____

State of Organization: _____

Address of Principal Place of Business: _____

Residence Address of Undersigned Individual(s): _____

Indicate your acknowledgment of the following by initialing each statement and signing below:

_____ Franchisee acknowledges that it is not a domiciliary or a resident of any other state.

_____ Location of franchised business, as applicable:

_____ Franchisee acknowledges that it has received Franchise Disclosure Documents as follows:

Franchise Disclosure Document(s) required by Federal Trade Commission for the following state(s) (registration states) and dated as indicated:

_____ Franchisee acknowledges that it has received the above identified Franchise Disclosure Document(s) by 14 calendar days before the earlier of (a) its execution of the Franchise Agreement or (b) its making any payment for franchise rights.

_____ Franchisee has signed and returned to Escape Enterprises, Ltd. the “Acknowledgment of Receipt” for each Franchise Disclosure Document. (For California, Illinois, and Maryland, Franchisee acknowledges that it has also retained an acknowledgment of receipt for its records.)

- _____ Franchisee acknowledges that it has had an opportunity to read each Franchise Disclosure Document and that no representations have been made to Franchisee which are inconsistent with information presented in the Franchise Disclosure Document(s), and Franchisee has not relied upon any representations inconsistent with or not contained in the Franchise Disclosure Document(s).
- _____ Franchisee acknowledges that it has had the opportunity to conduct an independent investigation of the franchised business offered and to seek independent counsel concerning the franchised business.
- _____ Franchisee acknowledges that the franchised business, as any business venture, involves risks, and the success of the franchised business will depend largely upon the ability of Franchisee.
- _____ Franchisee acknowledges that it has not received any warranty or guarantee expressed or implied, as to the actual or potential volume, earnings, profits, or success of the franchised business.

Acknowledged by:

(FRANCHISEE)

(Name)

Date:_____

EXHIBIT C

STATE ADDENDA

SEE ATTACHED PAGES RELATING TO THE FOLLOWING STATES:

<i>Exhibit</i>	<i>State</i>	<i>Included</i>
C-1	California	X
C-2	Illinois	
C-3	Indiana	
C-4	Maryland	
C-5	Michigan	
C-6	Minnesota	
C-7	New York	
C-8	Rhode Island	
C-9	Virginia	
C-10	Washington	
C-11	Wisconsin	

EXHIBIT C-1

STATE ADDENDUM: CALIFORNIA

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 FRANCHISE DISCLOSURE DOCUMENT.

1. Item 6 of the Franchise Disclosure Document states that the cost of “Review of Proposed New Supplier” varies. While this cost does vary and is not imposed without your request for our review of a new supplier, experience indicates that, if such review is requested by you and this cost imposed, the cost will run between \$500 and \$1,500.
2. Item 8 of the Franchise Disclosure Document discusses required purchases and leases. For 2019, the percentage of our and our affiliates’ total revenues that were derived from required purchases and leases (including payments to us from suppliers based on sales made to our franchisees) was 12%.
3. Item 11 of the Franchise Disclosure Document discusses training generally. Additional and refresher training is generally provided at your restaurant site but such training is completely dependent upon the circumstances around that specific store/issue. Duration, frequency, range of costs and content will vary with each specific circumstance. Some remedial training may take one day, cost \$100, and never need to be repeated. Some may take a week, cost up to \$5,000, and may need to be repeated if the franchisee doesn’t successfully complete the training.
4. Notwithstanding the provisions of Item 17(t) of the Franchise Disclosure Document, nothing in your Franchise Agreement or Development Agreement or any related document is intended to disclaim any representation made in the Franchise Disclosure Document.
5. All modifications or changes in the Franchise Agreement must be in writing signed by you and by an officer of Escape. Section 31125 of the California Corporations Code requires Escape to give you a disclosure document approved by the California Department of Financial Protection and Innovation Commissioner before we ask you to consider a material modification of an existing Franchise Agreement.
6. THE FRANCHISE AGREEMENT REQUIRES APPLICATION OF THE LAWS OF THE STATE OF OHIO. THIS PROVISION MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW.
7. The California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or nonrenewal of the franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the California law will control.
8. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
9. 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.

10. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable under California law.
11. The Franchise Agreement requires a forum of Ohio. This provision may not be enforceable under California law.
12. The Franchise Agreement requires you to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 20043).
13. Neither the franchisor nor any person or franchise broker listed in Item 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national security exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. §78a et seq., suspending or expelling such persons from membership in such association or exchange.
14. The Franchise Agreement and/or Development Agreement contains a provision requiring binding arbitration of disputes. The arbitration will be in Franklin County, Ohio, applying Ohio law in accordance with the commercial arbitration rules of the American Arbitration Association. You are responsible for the costs of arbitration, if you are in default. If you are not in default, the arbitrator will determine who is responsible for costs. This provision may not be enforceable under California law.
15. The terms of Items 5, 6 and 7 of this Franchise Disclosure Document have been negotiated with other franchisees. See Exhibit C 1.A for a copy of all Negotiated Sales Notices filed in California in the last 12 months.
16. Note that you will not receive any right to any exclusive territory when purchasing a franchise from us.
17. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF OUR WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.
18. You will be required to make an estimated initial investment ranging from \$224,000 to \$782,500. This amount may exceed our stockholders' equity as of December 31, 2020, which was \$436,217. In light of this circumstance, we have agreed to defer payment of the initial franchise fee and other initial payments owed by you to us until we have completed our pre opening obligations under the Franchise Agreement.
19. The highest applicable interest rate in California is ten percent (10%).

EXHIBIT C-2

STATE ADDENDUM: ILLINOIS

[*SEE SEPARATE IL DOCUMENT*]

EXHIBIT C-3

STATE ADDENDUM: INDIANA

RIDER TO FRANCHISE DISCLOSURE DOCUMENT – INDIANA

1. Notwithstanding certain of the Risk Factors noted on the front page of the Franchise Disclosure Document, because of requirements of applicable Indiana law, you are not limited to bringing suit or initiating arbitration only in Ohio.

2. Add an additional Risk Factor to the front page of the Franchise Disclosure Document as follows:

Note that, pursuant to Section 7.Y of the Franchise Agreement, you will be in default under the Franchise Agreement if current or future spouses of individual franchisees or individuals owning, directly or indirectly, any interest in a non-individual franchisee fail to execute and deliver a guaranty of Franchisee's obligations under the Franchise Agreement.

3. Notwithstanding the provisions of Item 11, if you are required to join any local, regional or national advertising cooperatives, your required contribution to such cooperatives shall not exceed 10% of gross receipts (which amount shall be credited against your obligations to spend at least 2% of your gross receipts on local and regional advertising).

4. Notwithstanding the provisions of Item 12, Escape shall not establish a franchisor-owned outlet engaged in a substantially identical business to the franchised business (a) within the exclusive territory granted you by the Franchise Agreement; or, if no exclusive territory is designated, (b) permitting Escape to compete unfairly with you within a reasonable area in violation of Ind. Code §23-2-2.7-1(2) or 2(4).

5. Notwithstanding the provisions of Items 17(c) and (e), Escape shall not unilaterally terminate nor fail to renew the franchise or related agreements without good cause or in bad faith in violation of Ind. Code §23-2-2.7-1(7) or (8).

6. Notwithstanding the provisions of Items 17(c) and (m), Escape shall not require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by Indiana franchise law in violation of Ind. Code §23-2-2.7-1(5).

7. Notwithstanding the provisions of Item 17(r), you shall not be restricted from competing with Escape outside of an area of reasonable size upon termination of or failure to renew the franchise in violation of Ind. Code §23-2-2.7-1(9).

8. Notwithstanding the provisions of Item 17(t), you do not waive any right under the Indiana statutes with regard to prior representations made in the Indiana Franchise Disclosure Document.

9. Notwithstanding the provisions of Items 17(u), (v), and (w) of the Franchise Disclosure Document relating to dispute resolution by litigation or arbitration or mediation, choice of forum and choice of law, Escape shall not limit litigation brought for breach of franchise agreements in any manner whatsoever in violation of Ind. Code §23-2-2.7-1(10).

In addition to the Franchise Agreement, in the form attached as Exhibit B-1, the Unconditional Continuing Guaranty in the form attached as Exhibit B-2 and, if applicable, the Development Agreement in the form attached as Exhibit B-3, Indiana franchisees will sign the appropriate Indiana Addenda, in the forms attached.

INDIANA ADDENDUM TO FRANCHISE AGREEMENT

THIS INDIANA ADDENDUM TO FRANCHISE AGREEMENT (the “Addendum”) is made as of the ____ day of _____, 20__, at Columbus, Ohio between **ESCAPE ENTERPRISES, LTD.**, an Ohio limited liability company, with headquarters located at 1099 Sullivant Avenue, Columbus, Ohio 43223 (“Franchisor”), and _____ a _____ (“Franchisee”), to that certain Franchise Agreement dated as of even date herewith (the “Agreement”).

WITNESSETH

WHEREAS, pursuant to the Agreement, Franchisee has obtained from Franchisor the right to operate a restaurant franchise at _____ (the “Restaurant”); and

WHEREAS, the laws of the state of Indiana require the execution of this Addendum in connection with the execution of the Agreement;

NOW THEREFORE, in consideration of the mutual covenants herein contained, it is hereby agreed as follows:

1. Amendment. The terms of the Agreement are hereby amended as follows:

1.1 Obligations of Franchisor. Section 1A, of the Agreement is amended by the addition of the following language:

Franchisor hereby undertakes that it will not compete unfairly with the Franchisee within a reasonable area of the Restaurant in violation of Ind. Code §23-2-2.7-1(2) or 2(4).

1.2 Renewal Option. Section 4.B(iii) of the Agreement is deleted and the following substituted therefor:

(iii) Franchisee and its Principal Owners execute a release, in a form satisfactory to Franchisor, of any and all claims it may have against Franchisor and its officers, directors, shareholders, agents and employees in their corporate and individual capacities, including, without limitation, all claims arising under any federal, state or local law, rule or ordinance (but excluding any claim arising under the Indiana Deceptive Franchise Practices Law, Indiana Code, Title 23, Article 2, Chapter 2.7) except such release may exclude any disputes the exact nature of which have been specified therein;

1.3 Term of the Agreement. Section 4B. of the Agreement is amended by the addition of the following subsection (viii):

(viii) Good Cause. Notwithstanding any other provision hereof, Franchisor shall not unilaterally terminate or fail to renew the franchise

granted hereunder if such termination or nonrenewal would constitute action without good cause or in bad faith in violation of Ind. Code §23-2-2.7-1(7) or (8) or Ind. Code §23-2-2.7-2(3).

1.4 Indemnity. Section 7.S of the Agreement is hereby amended by the addition of the following language:

Notwithstanding the foregoing, to the extent prohibited by the law of the State of Indiana, Franchisee shall have no obligation to indemnify Franchisor from and against any such costs, expenses, attorney's fees, lawsuits, liabilities, damages, claims and demands arising from Franchisee's proper reliance on or use of procedures or materials provided by Franchisor or caused by Franchisor's negligence.

1.5 Advertising. A new sentence is inserted immediately following the existing second sentence of Section 7.X(iii) of the Agreement as follows:

Notwithstanding the foregoing, the Minimum Advertising Amount shall not exceed 10% of Gross Sales.

1.6 Consent. Section 8.B(viii) of the Agreement is deleted and the following substituted therefor:

(viii) Franchisee and, in the event of a Transfer of a controlling percentage of stock of Franchisee, the transferor of such controlling percentage, executes a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor, and its members, managers, affiliates, employees and agents (but excluding any claim arising under the Indiana Deceptive Franchise Practices Law, Indiana Code, Title 23, Article 2, Chapter 2.7);

1.7 Non-Competition. Section 11.B(i) of the Agreement is deleted and the following substituted therefor:

(i) engage as an owner (except of publicly-traded securities), member, manager, partner, director, officer, employee, consultant or in any other capacity in any business selling goods and services the same as or similar to the goods and services sold by STEAK ESCAPE SANDWICH GRILL Restaurants (including, but not limited to, grilled sandwiches, fresh made lemonade and fresh cut french fries) which is located within a three mile radius from the location of the Restaurant or, to the extent as provided in Ind. Code §23-2-2.7-1(9), any other STEAK ESCAPE SANDWICH GRILL Restaurant;

1.8 Remedies. Section 11.E of the Agreement is deleted and the following substituted therefor:

E. Remedies. The remedies set forth below shall be deemed cumulative and may be exercised successively or concurrently by Franchisor, at its sole option.

(i) Franchisee specifically acknowledges and agrees that, subject to Franchisee's rights under current Ind. Code §23-2-2.7-1(10), the remedy at law for any breach of the provisions of Sections 11.A, 11.B and 11.C will be inadequate, notwithstanding the provision for liquidated damages contained in Section 11.E(ii) hereof, and that Franchisor, in addition to any other relief available to it, shall be entitled to temporary and permanent injunctive relief without the necessity of proving actual damages or the posting of any bond, which rights are waived by Franchisee and any Principal Owner. Under current Indiana law, the Franchisor is not entitled to injunction without proving actual damages or posting bond nor may Franchisee's rights under Ind. Code §23-2-2.7-1(10) be waived.

(ii) If Franchisee or any other person breaches any of the covenants contained in Section 11.A(iii), Section 11.B(i) or Section 11.C, then, in addition to any other right or remedy which Franchisor may have hereunder or otherwise, for so long as such business is in operation, Franchisee shall, or shall cause such breaching party to, pay to Franchisor so long as such breach shall exist and continue, as liquidated damages and not as a penalty, 10% of the monthly Gross Sales generated by such business, payable on the 15th day after the end of each month which must be received by us on or before close of business on such date; and the provisions of Sections 5.B(ii) and (iii), Section 5.E and Section 7.Y of this Agreement shall apply with respect to such competing business. Franchisor's right to collect liquidated damages is restricted by certain provisions of current Indiana law.

The foregoing reservation of rights to injunctive relief and any specific damages or any limitation on the remedies available to either party without benefit of appropriate process is currently prohibited under Ind. Code Section 23-2-2.7-1(10). Further, the Franchisee cannot currently be required to recognize the adequacy or inadequacy of any remedy. The waiver or release of any rights with regard to this Agreement is currently prohibited pursuant to Ind. Code Section 23-2-2.7-1(5). However, to the extent that applicable Indiana law may hereafter allow enforcement of any provision hereof, Franchisor reserves the right to so enforce it.

1.9 Applicable Law. The first sentence of Section 14.G(iv) of the Agreement is deleted and the following substituted therefor:

Except to the extent governed by the U.S. Trademark Act of 1946, as amended, the validity, terms, performance, and enforcement of this Agreement shall be governed by, and this Agreement shall be deemed to have been entered into under the laws of the state of Ohio, except to the extent applicable and required by the Indiana Franchise Laws.

1.10 Waiver. Section 14.G(v) of the Agreement is hereby amended by the addition of the following language:

Notwithstanding the foregoing, the foregoing reservation of right or limitation on remedy shall not be enforceable to the extent prohibited pursuant to Ind. Code §23-2-2.7-1(10).

1.11 Status of Agreement. Section 14.J of the Agreement is hereby amended by the addition of the following language:

Notwithstanding anything to the contrary in this provision, Franchisee does not waive any right under the Indiana statutes with regard to prior representations made in the Indiana Franchise Disclosure Document.

2. Supplemental Agreement. This Addendum is hereby made supplemental to and as part of the Agreement. All of the terms and provisions of the Agreement, as amended above, shall remain in full force and effect from and after the date first above written, as the same may be later amended, supplemented or otherwise modified from time to time.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum.

ESCAPE ENTERPRISES, LTD., by
Escape Enterprises, Inc., manager

[FRANCHISEE]

By: _____
Name: Kennard M. Smith
Its: Chairman

By: _____
Name: _____
Its: _____

INDIANA ADDENDUM TO UNCONDITIONAL CONTINUING GUARANTY

THIS INDIANA ADDENDUM TO UNCONDITIONAL CONTINUING GUARANTY (the “Addendum”) is made as of the ____ day of _____, 20__, at Columbus, Ohio between **ESCAPE ENTERPRISES, LTD.**, an Ohio limited liability company, with headquarters located at 1099 Sullivant Avenue, Columbus, Ohio 43223 (“Franchisor”), and each of the other parties hereto (collectively, the “Guarantors” and, individually, a “Guarantor”), to that certain Unconditional Continuing Guaranty and Agreement to be Bound by Restrictive Covenant dated as of even date herewith (the “Guaranty”).

WITNESSETH

WHEREAS, pursuant to the Guaranty, Guarantor has guaranteed to Franchisor the payment and performance of certain liabilities and obligations of _____ (the “Franchisee”) under a Franchise Agreement dated _____ (the “Franchise Agreement”) granting to Franchisee the right to operate a restaurant franchise at _____; and

WHEREAS, the laws of the state of Indiana require the execution of this Addendum in connection with the execution of the Guaranty;

NOW THEREFORE, in consideration of the mutual covenants herein contained, it is hereby agreed as follows:

1. Amendment. The terms of the Guaranty are hereby amended as follows:

1.1 Applicable Law. Section 5.11(iv) of the Guaranty is deleted and the following substituted therefor:

This Guaranty shall be governed, to the extent applicable and required thereby, by the Indiana Franchise Laws. This Guaranty shall be governed in all other respects and aspects by the laws of Ohio applicable to guaranties that are negotiated, executed, delivered and performed solely in the State of Ohio.

1.2 Waiver. Section 5.11(v) of the Guaranty is hereby amended by the addition of the following language:

Notwithstanding the foregoing, the foregoing reservation of right or limitation on remedy shall not be enforceable to the extent prohibited pursuant to Ind. Code §23-2-2.7-1(10).

2. Supplemental Agreement. This Addendum is hereby made supplemental to and as part of the Guaranty. All of the terms and provisions of the Guaranty, as amended above, shall remain in full force and effect from and after the date first above written, as the same may be later amended, supplemented or otherwise modified from time to time.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum.

ESCAPE ENTERPRISES, LTD., by
Escape Enterprises, Inc., manager

[GUARANTORS]

By: _____
Name: Kennard M. Smith
Its: Chairman

By: _____
Name: _____
Its: _____

INDIANA ADDENDUM TO DEVELOPMENT AGREEMENT

THIS INDIANA ADDENDUM TO DEVELOPMENT AGREEMENT (the “Addendum”) is made as of the ____ day of _____, 20__, at Columbus, Ohio between **ESCAPE ENTERPRISES, LTD.**, an Ohio limited liability company, with headquarters located at 1099 Sullivant Avenue, Columbus, Ohio 43223 (“EEL”), and _____ a _____ (“Developer”), to that certain Development Agreement dated as of even date herewith (the “Agreement”).

WITNESSETH

WHEREAS, pursuant to the Agreement, Developer has obtained from EEL a license for a limited geographic region to develop restaurants under the STEAK ESCAPE SANDWICH GRILL system; and

WHEREAS, the laws of the state of Indiana require the execution of this Addendum in connection with the execution of the Agreement;

NOW THEREFORE, in consideration of the mutual covenants herein contained, it is hereby agreed as follows:

1. Amendment. The terms of the Agreement are hereby amended as follows:

1.1 Transfer by Developer. Section 11.A(ii)(c) of the Agreement is amended by the addition of the following:

including any claim arising under the Indiana Deceptive Franchise Practices Law, Indiana Code, Title 23, Article 2, Chapter 2.7

1.2 Non-Competition. Section 12 of the Agreement is amended by the addition of the following:

E. Indiana Restriction. Notwithstanding any other provision of this Section 12, the provisions of this Section 12 may be unenforceable to the extent provided in Ind. Code §23-2-2.7-1(9). Any reservation of rights to injunctive relief and any specific damages or any limitation on the remedies available to either party without benefit of appropriate process is currently prohibited under Ind. Code §23-2-2.7-1(10). Further the Developer cannot currently be required to recognize the adequacy or inadequacy of any remedy. The waiver or release of any rights with regard to this Agreement is currently prohibited pursuant to Ind. Code §23-2-2.7-1(5). However, to the extent that applicable Indiana law may hereafter allow enforcement of any provision hereof, EEL reserves the right to so enforce it.

1.3 Indemnification. Section 16 of the Agreement is hereby amended by the addition of the following language:

Notwithstanding the foregoing, Developer shall have no obligation to indemnify EEL from and against any such costs, expenses, attorney's fees, lawsuits, liabilities, damages, claims and demands arising from Developer's proper reliance on or use of procedures or materials provided by EEL or caused by EEL's negligence to the extent required by the law of the State of Indiana.

1.4 Applicable Law. The first sentence of Section 18.D of the Agreement is deleted and the following substituted therefor:

The validity, terms performance and enforcement of this Agreement shall be governed and construed, to the extent applicable and required thereby, by the Indiana Franchise Laws. The validity, terms performance and enforcement of this Agreement shall be governed and construed in all other respects and aspects by the laws of the State of Ohio applicable to agreements that are negotiated, executed, delivered and performed solely in the State of Ohio.

1.5 Waiver. Section 18.E of the Agreement is hereby amended by the addition of the following language:

Notwithstanding the foregoing, the foregoing reservation of right or limitation on remedy shall not be enforceable to the extent prohibited pursuant to Ind. Code §23-2-2.7-1(10).

2. Supplemental Agreement. This Addendum is hereby made supplemental to and as part of the Agreement. All of the terms and provisions of the Agreement, as amended above, shall remain in full force and effect from and after the date first above written, as the same may be later amended, supplemented or otherwise modified from time to time.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum.

ESCAPE ENTERPRISES, LTD., by
Escape Enterprises, Inc., manager

[DEVELOPER]

By: _____
Name: Kennard M. Smith
Its: Chairman

By: _____
Name: _____
Its: _____

EXHIBIT C-4

STATE ADDENDUM: MARYLAND

[*SEE SEPARATE MARYLAND DOCUMENT*]

EXHIBIT C-5

MICHIGAN ADDENDUM

See Addendum to The Franchise Disclosure Document for the State of Michigan located after Special Risks page.

EXHIBIT C-6

STATE ADDENDUM: MINNESOTA

RIDER TO FRANCHISE DISCLOSURE DOCUMENT – MINNESOTA

1. The following language is added as an additional Risk Factor on the cover page of the Franchise Disclosure Document:

MINNESOTA STATUTES §80C.21 AND MINNESOTA RULE 2860.4400J CURRENTLY PROHIBIT LITIGATION TO BE CONDUCTED OUTSIDE MINNESOTA.

2. The following language is added to Item 13:

The Minnesota Department of Commerce requires that Franchisor indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the Franchisee's use of Franchisor's registered trademark infringes trademark rights of the third party. Franchisor is not required to indemnify Franchisee for its use of Franchisor's trademark unless such use is in accordance with the requirements of the Franchise Agreement. As a condition to indemnification, Franchisee must provide notice to Franchisor of any such claim within 10 days and tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisee must cooperate in the defense as reasonably required and Franchisor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

3. The following language is added to Item 17:

Liquidated damages provisions are not enforceable under Minnesota law.

4. The following Sections are added to Item 17:

Minnesota Statute 80C.14, Subd. 5 states, "It is unfair and inequitable for a person to unreasonably withhold consent to an assignment, transfer, or sale of the franchise whenever the franchisee to be substituted meets the present qualifications and standards required of the franchisees of the particular franchisor."

With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, subds. 3, 4 and 5 which require except in certain specified cases, that Franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for nonrenewal of the Franchise Agreement.

5. In addition to the Franchise Agreement, in the form attached as Exhibit B-1, Minnesota franchisees will sign a Minnesota Addendum, in the form attached.

MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

THIS MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT (the “Addendum”), is made as of the ____ day of _____, 20__, at Columbus, Ohio between **ESCAPE ENTERPRISES, LTD.**, an Ohio limited liability company with headquarters located at 1099 Sullivant Avenue, Columbus, Ohio 43223 (“Franchisor”), and _____, a _____ (“Franchisee”), to that certain Franchise Agreement dated as of even date herewith (the “Agreement”).

WITNESSETH

WHEREAS, pursuant to the Agreement, Franchisee has obtained from Franchisor the right to operate a restaurant franchise at _____ (the “Restaurant”); and

WHEREAS, the laws of the state of Minnesota require the execution of this Addendum in connection with the execution of the Agreement;

NOW THEREFORE, in consideration of the mutual covenants herein contained, it is hereby agreed as follows:

1. Amendment. The terms of the Agreement are hereby amended as follows:

1.1 Indemnification. The following language is added to Section 7.A:

The Minnesota Department of Commerce requires that Franchisor indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the Franchisee’s use of Franchisor’s registered trademark infringes trademark rights of the third party. Franchisor is not required to indemnify Franchisee for its use of Franchisor’s trademark unless such use is in accordance with the requirements of the Franchise Agreement. As a condition to indemnification, Franchisee must provide notice to Franchisor of any such claim within 10 days and tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisee must cooperate in the defense as reasonably required and Franchisor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

1.2 Consent. The following language is added to Section 8:

(f) Minnesota Statute. Minnesota Statute 80C.14, Subd. 5 states, “It is unfair and inequitable for a person to unreasonably withhold consent to an assignment, transfer, or sale of the franchise whenever the franchisee to be substituted meets the present qualifications and standards required of the franchisees of the particular franchisor”.

1.3 Notice. The following language is added to Section 10:

(d) Minnesota Requirement. With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, subds. 3, 4 and 5 which require except in certain specified cases, that Franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for nonrenewal of the Franchise Agreement.

1.4 Jurisdiction. The following language is added to Section 14.G(i):

This section shall in no way abrogate or reduce any rights of the Franchisee as provided for in Minnesota Statutes 1984, Chapter 80C, including the right to submit matters to the jurisdiction of the courts of Minnesota.

1.5 Non-Competition. Section 11.E(i) and (ii) are deleted in their entirety and the following substituted therefore:

(i) Franchisee specifically acknowledges and agrees that the remedy at law for any breach of the provisions of Sections 11.A, 11.B and 11.C will be inadequate, notwithstanding the provision for liquidated damages contained in Section 11.E(ii) hereof, and that Franchisor, in addition to any other relief available to it, shall be entitled to seek temporary and permanent injunctive relief pursuant to the provisions of applicable law.

(ii) If Franchisee or a Principal Owner breaches any of the covenants contained in Sections 11.A(iii), 11.B(i) or 11.C, then so long as such business is in operation, such breaching party shall pay to Franchisor so long as such breach shall exist and continue, as liquidated damages and not as a penalty, 10% of the monthly Gross Sales generated by such business, payable on the payable on the 15th day after the end of each month which must be received by us on or before close of business on such date and the provisions of Sections 5.B(ii) and (iii) and Section 7.Y of this Agreement shall apply with respect to such competing business. Liquidated damages provisions are not enforceable under Minnesota law.

1.6 Forum. Notwithstanding any provision of the Franchise Agreement or any document executed in connection therewith providing for litigation to be conducted in Ohio, litigation may be brought in Minnesota to the extent required by Minnesota law.

2. Supplemental Agreement. This Addendum is hereby made supplemental to and as part of the Agreement. All of the terms and provisions of the Agreement, as amended above, shall remain in full force and effect from and after the date first above written, as the same may be later amended, supplemented or otherwise modified from time to time.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum.

ESCAPE ENTERPRISES, LTD., by
Escape Enterprises, Inc., Manager

[FRANCHISEE]

By: _____
Name: Kennard M. Smith
Its: Chairman

By: _____
Name: _____
Its: _____

EXHIBIT C-7

STATE ADDENDUM: NEW YORK

RIDER TO FRANCHISE DISCLOSURE DOCUMENT – NEW YORK

1. The following language is added as additional Risk Factors on the cover page of the Franchise Disclosure Document:

The Franchise Agreement (Exhibit B-1 of the FDD, Section 14.G, pp. 33-36) provides for arbitration hearings to be held in Ohio to settle disputes. The Franchisee will have to undertake the costs of travel and any other costs associated with arbitration. This factor should be taken into account in determining whether or not to purchase this franchise.

THIS OFFERING PROSPECTUS DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

Either the term “Franchise Disclosure Document” or “Offering Prospectus” used herein shall mean this document.

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

2. The following language is added to Item 5:

Except as set forth in this Franchise Disclosure Document, an identical Initial Franchise Fee is charged to each Franchisee.

3. The following language is added to Item 13:

Franchisor is not obligated by the Franchise Agreement to protect any rights which Franchisee has to use the trademarks, service marks, trade names, logotypes or other commercial symbols of Franchisor or to protect Franchisee against claims of infringement or unfair competition with respect to the same. If any such claim is made against Franchisee, Franchisee may have to bear the expense of defending such claim.

4. The following language is added to the end of the “Summary” section of Item 17(c):

To the extent required by applicable law, all rights enjoyed by the Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York (“GBL”) and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of GBL Sections 687.4 and 687.5 be satisfied.

5. The following language is added to the end of the “Summary” section of Item 17(d):

Franchisee may terminate by (i) allowing the Franchise Agreement to expire without exercising the renewal option, (ii) or if Franchisor has committed a substantial breach of the Franchise Agreement, or (iii) on any grounds available by law. Franchisee may otherwise terminate the Franchise Agreement only by obtaining the written consent of Franchisor, which consent Franchisor is not obligated to give.

6. The following language replaces the “Summary” section of Item 17(m):

Franchisee may not assign its rights under the Franchise Agreement without the prior written consent of Franchisor, except as noted below. If Franchisee is a partnership or corporation, any change in control of Franchisee is deemed to be an assignment of its rights under the Franchise Agreement. If Franchisee desires to assign its franchise, Franchisee shall first give Franchisor written notice setting forth all the terms and conditions of the proposed assignment, along with a financial statement prepared by the proposed assignee and all other pertinent data required by Franchisor concerning the proposed assignee. Within 30 days after receipt of such notice, Franchisor may either consent to the assignment, refuse to consent to the assignment, or, at its option, accept the assignment to itself upon the same terms and conditions specified in the notice. Whether there is to be a recognition of the goodwill or other intangibles depends on the terms specified by the proposed assignee.

Franchisor’s consent to assignment may be conditioned upon (a) the assumption by the proposed assignee of all of Franchisee’s obligations under the Franchise Agreement and any related or similar agreements, (b) payment of all outstanding debts by Franchisee including full payment of any outstanding Initial Franchise Fees, Continuing Franchise Fees, or other amounts, (c) the absence of a default by Franchisee under the Franchise Agreement or any other agreement with Franchisor, (d) the satisfactory completion by the assignee of the training courses required of new franchise owners on Franchisor’s then-current terms, (e) its satisfaction with the character, business experience and credit rating of the proposed assignee, (f) execution of the then-current form of Franchise Agreement by the assignee, (g) a general release of all claims by Franchisee, provided, however, to the extent required by applicable law, that all rights enjoyed by the Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York (“**GBL**”) and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of GBL Sections 687.4 and 687.5 be satisfied and (h) payment of a transfer fee equal to \$10,000, or, if the transfer is among then-existing owners of the franchisee, \$2,000. The proposed assignee will be subject to all terms and conditions of the Franchise Agreement.

7. Receipt Page: Notwithstanding the wording of the “Receipt” attached to this FDD, we are required to provide a copy of the FDD to you at the earlier of our first personal meeting or 10 business days before your execution of the Franchise Agreement or other agreement or your payment of any consideration that relates to the franchise relationship.

In addition to the Franchise Agreement, in the form attached as Exhibit B-1, New York franchisees will sign a New York Addendum, in the form attached.

NEW YORK ADDENDUM TO FRANCHISE AGREEMENT

THIS NEW YORK ADDENDUM TO FRANCHISE AGREEMENT (the “Addendum”), is made as of the ____ day of _____, 20__, at Columbus, Ohio between **ESCAPE ENTERPRISES, LTD.**, an Ohio limited liability company, with headquarters located at 1099 Sullivant Avenue, Columbus, Ohio 43223 (“Franchisor”), and _____, a _____ (“Franchisee”), to that certain Franchise Agreement dated as of even date herewith (the “Agreement”).

WITNESSETH

WHEREAS, pursuant to the Agreement, Franchisee has obtained from Franchisor the right to operate a restaurant franchise at _____ (the “Restaurant”); and

WHEREAS, the laws of the state of New York require the execution of this Addendum in connection with the execution of the Agreement;

NOW THEREFORE, in consideration of the mutual covenants herein contained, it is hereby agreed as follows:

1. Amendment. The terms of the Agreement are hereby amended as follows:

1.1 Release. Section 4.B(iii) of the Franchise Agreement is amended to read as follows:

(iii) Franchisee executes a release in a form satisfactory to Franchisor, of any and all claims it may have against Franchisor and its officers, directors, shareholders, agents and employees in their corporate and individual capacities, including, without limitation, all claims arising under any federal, state or local law, rule or ordinance except that such release may exclude any disputes the exact nature of which have been specified therein; provided, however, that all rights enjoyed by the Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York (“GBL”) and the regulations issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of GBL Sections 687.4 and 687.5 be satisfied;

1.2 Franchisor. Section 8.E of the Franchise Agreement is amended to read as follows:

(e) Franchisor. Franchisor shall have the right to sell, assign or transfer all or any part of its rights herein to any person or legal entity. However, no assignment shall be made except to an assignee who, in the good faith judgment of Franchisor, is willing and able to assume Franchisor’s obligations under this Agreement.

1.3 Applicable Law. Subsection 14.G(iv) of the Franchise Agreement is amended to read as follows:

(iv) Applicable Law. Except to the extent governed by the U.S. Trademark Act of 1946 (as amended), the validity, terms, performance and enforcement of this Agreement and any issues related in any way to this Agreement or to a breach or alleged breach of this Agreement shall be governed by, and this Agreement shall be deemed to have been entered into under, the laws of the State of Ohio applicable to Agreements that are negotiated, executed, delivered and performed solely in the State of Ohio. The foregoing choice of law should not be considered a waiver of any right conferred upon either the Franchisor or upon the Franchisee by the GBL, Article 33.

2. Supplemental Agreement. This Addendum is hereby made supplemental to and as part of the Agreement. All of the terms and provisions of the Agreement, as amended above, shall remain in full force and effect from and after the date first above written, as the same may be later amended, supplemented or otherwise modified from time to time.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum.

ESCAPE ENTERPRISES, LTD., by
Escape Enterprises, Inc., Manager

[FRANCHISEE]

By: _____
Name: Kennard M. Smith
Its: Chairman

By: _____
Name: _____
Its: _____

EXHIBIT C-8

STATE ADDENDUM: RHODE ISLAND

RIDER TO FRANCHISE DISCLOSURE DOCUMENT – RHODE ISLAND

1. Notwithstanding the requirement of the Franchise Agreement and Franchise Development Agreement that litigation or arbitration arising thereunder must be brought in the State of Ohio, lawsuits may be brought in Rhode Island for claims arising under the Rhode Island Franchise Investment Act to the extent required by such law.

2. Notwithstanding the requirement of the Franchise Agreement and the Franchise Development Agreement that imposes a condition, stipulation or provision requiring a franchise to waive compliance with or relieving a person of a duty of liability imposed by or a right provided under the Rhode Island Franchise Investment Act or a rule or under this Act is void but shall not affect the subsequent settlement of disputes, claims or civil lawsuits arising or brought under this Act.

RHODE ISLAND ADDENDUM TO FRANCHISE AGREEMENT

THIS RHODE ISLAND ADDENDUM TO FRANCHISE AGREEMENT (the “Addendum”) is made as of the ____ day of _____, 20__, at Columbus, Ohio between **ESCAPE ENTERPRISES, LTD.**, an Ohio limited liability company, with headquarters located at 1099 Sullivant Avenue, Columbus, Ohio 43223 (“Franchisor”), and _____, a _____ (“Franchisee”), to that certain Franchise Agreement dated as of even date herewith (the “Agreement”).

WITNESSETH

WHEREAS, pursuant to the Agreement, Franchisee has obtained from Franchisor the right to operate a restaurant franchise at _____ (the “Restaurant”); and

WHEREAS, the laws of the state of Rhode Island require the execution of this Addendum in connection with the execution of the Agreement;

NOW THEREFORE, in consideration of the mutual covenants herein contained, it is hereby agreed as follows:

1. Amendment. The terms of the Agreement are hereby amended as follows:

1.1 Consent. The following language is added to Section 8.B(viii) of the Agreement:

except that such release may exclude any matters the release (waiver) of which is restricted by then applicable Rhode Island Investment Act applying to franchises. The general release (waiver) required as a condition of renewal and transfer shall not apply to any liability under the Rhode Island Franchise Investment Act.

1.2 Representations. The following language is added to Section 12 of the Agreement:

No representations made herein are intended to, nor shall they act as a, release, estoppel or waiver of any liability incurred under the Rhode Island Franchise Investment Act.

1.3 Applicable Law and Forum. The following language is added to Subsections 14.G(ii) and (iv) of the Agreement:

To the extent required by Section 19-28, 1-14 of the Rhode Island Investment Franchise Act that provides that ‘A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state (Rhode Island) or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.’ and Ohio law shall not apply.

2. Supplemental Agreement. This Addendum is hereby made supplemental to and as part of the Agreement. All of the terms and provisions of the Agreement, as amended above, shall remain in full force and effect from and after the date first above written, as the same may be later amended, supplemented or otherwise modified from time to time.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum.

ESCAPE ENTERPRISES, LTD., by
Escape Enterprises, Inc., Manager

[FRANCHISEE]

By: _____
Name: Kennard M. Smith
Its: Chairman

By: _____
Name: _____
Its: _____

RHODE ISLAND ADDENDUM TO DEVELOPMENT AGREEMENT

THIS RHODE ISLAND ADDENDUM TO DEVELOPMENT AGREEMENT (the “Addendum”) is made as of the ____ day of _____, 20__, at Columbus, Ohio between **ESCAPE ENTERPRISES, LTD.**, an Ohio limited liability company, with headquarters located at 1099 Sullivant Avenue, Columbus, Ohio 43223 (“EEL”), and _____, a _____ (“Developer”), to that certain Development Agreement dated as of even date herewith (the “Agreement”).

W I T N E S S E T H

WHEREAS, pursuant to the Agreement, Developer has obtained from EEL the right to develop certain restaurants; and

WHEREAS, the laws of the state of Rhode Island require the execution of this Addendum in connection with the execution of the Agreement;

NOW THEREFORE, in consideration of the mutual covenants herein contained, it is hereby agreed as follows:

1. **Amendment.** The terms of the Agreement are hereby amended as follows:

1.1 **Consent.** The following language is added to Section 11.A(ii)(c) of the Agreement:

except that such release may exclude any matters the release of which is restricted by then applicable Rhode Island Franchise Registration and Disclosure Law. The general release required as a condition of renewal and transfer shall not apply to any liability under the Rhode Island Franchise Registration and Disclosure Law.

1.2 **Representations.** The following language is added to Section 22 of the Agreement:

No representations made herein are intended to, nor shall they act as a, release, estoppel or waiver of any liability incurred under the Rhode Island Franchise Investment Act. The general release required as a condition of renewal and transfer shall not apply to any liability under the Rhode Island Franchise Investment Act.

1.3 **Applicable Law and Forum.** The following language is added to Subsections 18.B and D of the Agreement:

To the extent required by Section 19-28, 1-14 of the Rhode Island Investment Franchise Act that provides that ‘A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state (Rhode Island) or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.’ and Ohio law shall not apply.

2. Supplemental Agreement. This Addendum is hereby made supplemental to and as part of the Agreement. All of the terms and provisions of the Agreement, as amended above, shall remain in full force and effect from and after the date first above written, as the same may be later amended, supplemented or otherwise modified from time to time.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum.

ESCAPE ENTERPRISES, LTD., by
Escape Enterprises, Inc., Manager

[DEVELOPER]

By: _____
Name: Kennard M. Smith
Its: Chairman

By: _____
Name: _____
Its: _____

EXHIBIT C-9

STATE ADDENDUM: VIRGINIA

RIDER TO FRANCHISE DISCLOSURE DOCUMENT – VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Escape Enterprises, Ltd. for use in the Commonwealth of Virginia shall be amended as follows:

1. Franchise Agreement Addendum. In addition to the Franchise Agreement, in the form attached as Exhibit B-1, Virginia franchisees will sign a Virginia Addendum to Franchise Agreement, in the form attached.

2. Development Agreement Addendum. If we enter into a Development Agreement with you, then, in addition to the Development Agreement, in the form attached as Exhibit B-3, Virginia franchisees will sign a Virginia Addendum to Development Agreement, in the form attached.

3. Payment Deferral: The following statement is added to Item 5:

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 you to us until we have completed our pre-opening obligations under the Franchise Agreement.

4. Additional Disclosure: The following statements are added to Item 17(h):

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the Franchise or Development Agreement does not constitute "reasonable cause", as that term may be defined in the Virginia Retail Franchising Act or the laws of the Virginia, that provision may not be enforceable.

VIRGINIA ADDENDUM TO FRANCHISE AGREEMENT

THIS VIRGINIA ADDENDUM TO FRANCHISE AGREEMENT (the “Addendum”) is made as of the ____ day of _____, 20__, at Columbus, Ohio between **ESCAPE ENTERPRISES, LTD.**, an Ohio limited liability company, with headquarters located at 1099 Sullivant Avenue, Columbus, Ohio 43223 (“Franchisor”), and _____, a _____ with headquarters located at _____ (“Franchisee”), to that certain Franchise Agreement dated as of even date herewith (the “Agreement”).

WITNESSETH:

WHEREAS, pursuant to the Agreement, Franchisee has obtained from Franchisor the right to operate a restaurant franchise at _____ (the “Restaurant”); and

WHEREAS, the laws of the state of Virginia require the execution of this Addendum in connection with the execution of the Agreement;

NOW THEREFORE, in consideration of the mutual covenants herein contained, it is hereby agreed as follows:

1. Amendment. Section 3.A of the Agreement is hereby amended by the addition of the following language:

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 you to us until we have completed our pre-opening obligations under the Franchise Agreement.

2. Supplemental Agreement. This Addendum is hereby made supplemental to and as part of the Agreement. All of the terms and provisions of the Agreement, as amended above, shall remain in full force and effect from and after the date first above written, as the same may be later amended, supplemented or otherwise modified from time to time, to the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of the Agreement or exhibits or attachments thereto, the terms of this Addendum will govern.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum.

ESCAPE ENTERPRISES, LTD., by
Escape Enterprises, Inc., Manager

[FRANCHISEE]

By: _____
Name: Kennard M. Smith
Its: Chairman

By: _____
Name: _____
Its: _____

VIRGINIA ADDENDUM TO DEVELOPMENT AGREEMENT

THIS VIRGINIA ADDENDUM TO DEVELOPMENT AGREEMENT (the “Addendum”) is made as of the ____ day of _____, 20__, at Columbus, Ohio between **ESCAPE ENTERPRISES, LTD.**, an Ohio limited liability company, with headquarters located at 1099 Sullivant Avenue, Columbus, Ohio 43223 (“EEL”), and _____, a _____ (“Developer”), to that certain Development Agreement dated as of even date herewith (the “Agreement”).

WITNESSETH

WHEREAS, pursuant to the Agreement, Developer has obtained from EEL the right to develop certain restaurants; and

WHEREAS, the laws of the state of Virginia require the execution of this Addendum in connection with the execution of the Agreement;

NOW THEREFORE, in consideration of the mutual covenants herein contained, it is hereby agreed as follows:

1. Amendment. Section 3 of the Agreement is hereby amended by the addition of the following language:

The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the Development Deposit, initial franchise fee and other initial payments owed by you to us until we have completed our pre-opening obligations under the applicable Franchise Agreement. Payment of the Development Deposit will be due to us, on a pro-rata basis, upon our completion of our pre-opening obligations for the applicable franchise opened under this Agreement.

2. Supplemental Agreement. This Addendum is hereby made supplemental to and as part of the Agreement. All of the terms and provisions of the Agreement, as amended above, shall remain in full force and effect from and after the date first above written, as the same may be later amended, supplemented or otherwise modified from time to time.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum.

ESCAPE ENTERPRISES, LTD., by
Escape Enterprises, Inc., Manager

[DEVELOPER]

By: _____
Name: Kennard M. Smith
Its: Chairman

By: _____
Name: _____
Its: _____

EXHIBIT C-10

STATE ADDENDUM: WASHINGTON

RIDER TO FRANCHISE DISCLOSURE DOCUMENT – WASHINGTON

1. The following is added to Item 5 of the Franchise Disclosure Document:

Franchisor may change its fee schedule for Franchisees located in the State of Washington at some time in the future by an amendment to this Franchise Disclosure Document or by specific permission from the State of Washington pursuant to applicable law. If Franchisor determines that its expenses in establishing a particular Steak Escape Sandwich Grill franchise outside of the State of Washington will be significantly lower than the currently anticipated average expense, Franchisor may, in its discretion, waive or modify the Initial Franchise Fee.

2. The following is added to Item 17 of the Franchise Disclosure Document:

Special Provisions for Washington Franchisors. Notwithstanding anything to the contrary set forth herein, Section 19.100.180 of the Washington Franchise Investment Act currently:

(i) Prohibits any person from refusing to renew the franchise without fairly compensating Franchisee for the fair market value, at the time of expiration of the franchise, of Franchisee's inventory, supplies, equipment and furnishings purchased from Franchisor, and good will, exclusive of personalized materials which have no value to Franchisor, and inventory, supplies, equipment and furnishings not reasonably required in the conduct of the franchise business; provided, that compensation need not be made to Franchisee for good will if (a) Franchisee has been given one year's notice of nonrenewal and (b) Franchisor agrees in writing not to enforce any covenant which restrains Franchisee from competing with Franchisor; provided further, that Franchisor may offset against amounts owed to Franchisee under this subsection any amounts owed by Franchisee to Franchisor.

(ii) Prohibits any person from terminating the franchise prior to the expiration of its term except for good cause. For this purpose, good cause includes, without limitation, the failure of Franchisee to comply with lawful material provisions of the Franchise Agreement or other agreement between Franchisor and Franchisee and to cure such default after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such default, or if such default cannot reasonably be cured within 30 days, the failure of Franchisee to initiate within 30 days substantial and continuing action to cure such default; provided, that after three willful and material breaches of the same term of the Franchise Agreement occurring within a 12-month period, for which the Franchisee has been given notice and an opportunity to cure as provided in the Act, Franchisor may terminate the Franchise Agreement upon any subsequent willful and material breach of the same term within the 12-month period

without providing notice or opportunity to cure; provided further, that Franchisor may terminate the franchise without giving prior notice or opportunity to cure a default if Franchisee: (1) is adjudicated a bankrupt or insolvent; (2) makes an assignment for the benefit of creditors or similar disposition of the assets of the franchise business; (3) voluntarily abandons the franchise business; or (4) is convicted of or pleads guilty or no contest to a charge of violating any law relating to the franchise business. Upon termination for good cause, Franchisor shall purchase from Franchisee at a fair market value at the time of termination, Franchisee's inventory and supplies exclusive of (A) personalized materials which have no value to Franchisor; (B) inventory and supplies not reasonably required in the conduct of the franchise business, and (C) if Franchisee is to retain control of the premises of the franchise business, any inventory and supplies not purchased from Franchisor or on its express requirement; provided, that Franchisor may offset against amounts owed to Franchisee under the Act any amounts owed by Franchisee to Franchisor.

WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT

THIS WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT (the “Addendum”) is made as of the ____ day of _____, 20__, at Columbus, Ohio between **ESCAPE ENTERPRISES, LTD.**, an Ohio limited liability company, with headquarters located at 1099 Sullivant Avenue, Columbus, Ohio 43223 (“Franchisor”), and _____, a _____ (“Franchisee”), to that certain Franchise Agreement dated as of even date herewith (the “Agreement”).

W I T N E S S E T H

WHEREAS, pursuant to the Agreement, Franchisee has obtained from Franchisor the right to operate a restaurant franchise at _____ (the “Restaurant”); and

WHEREAS, the laws of the state of Washington require the execution of this Addendum in connection with the execution of the Agreement;

NOW THEREFORE, in consideration of the mutual covenants herein contained, it is hereby agreed as follows:

1. Notice. The State of Washington has a statute, RCW 19.100.180, which may supersede the Agreement in your relationship with Franchisor, including the areas of termination and renewal of the Agreement. There may also be court decisions which may supersede the Agreement, including the areas of termination and renewal of the Agreement.

2. Amendment. The terms of the Agreement are hereby amended as follows:

2.1 Arbitration or litigation. In any arbitration or litigation involving a franchise purchased in Washington, the arbitration or litigation site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

2.2 Conflict of Laws. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

2.3 Release. A release or waiver or rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act 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, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

2.4 Transfer Fees. Transfer fees are collectable to the extent that they reflect the Franchisor’s reasonable estimated or actual costs in effecting a transfer.

2.5 Non-Competition Covenants. 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.

2.6 Non-Solicitation Covenants. 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.

3. Supplemental Agreement. This Addendum is hereby made supplemental to and as part of the Agreement. All of the terms and provisions of the Agreement, as amended above, shall remain in full force and effect from and after the date first above written, as the same may be later amended, supplemented or otherwise modified from time to time.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum.

ESCAPE ENTERPRISES, LTD., by
Escape Enterprises, Inc., Manager

[FRANCHISEE]

By: _____
Name: Kennard M. Smith
Its: Chairman

By: _____
Name: _____
Its: _____

WASHINGTON ADDENDUM TO DEVELOPMENT AGREEMENT

THIS WASHINGTON ADDENDUM TO DEVELOPMENT AGREEMENT (the “Addendum”) is made as of the ____ day of _____, 20__, at Columbus, Ohio between **ESCAPE ENTERPRISES, LTD.**, an Ohio limited liability company, with headquarters located at 1099 Sullivant Avenue, Columbus, Ohio 43223 (“EEL”), and _____, a _____ (“Developer”), to that certain Development Agreement dated as of even date herewith (the “Agreement”).

WITNESSETH

WHEREAS, pursuant to the Agreement, Developer has obtained from EEL the right to develop Franchised Units (as defined in the Agreement); and

WHEREAS, the laws of the state of Washington require the execution of this Addendum in connection with the execution of the Agreement;

NOW THEREFORE, in consideration of the mutual covenants herein contained, it is hereby agreed as follows:

1. Notice. The State of Washington has a statute, RCW 19.100.180, which may supersede the Agreement in your relationship with EEL, including the areas of termination and renewal of the Agreement. There may also be court decisions which may supersede the Agreement, including the areas of termination and renewal of the Agreement.

2. Amendment. The terms of the Agreement are hereby amended as follows:

2.1 Arbitration or Litigation. In any arbitration or litigation involving Franchised Units developed in Washington, the arbitration or litigation site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

2.2 Conflict of Laws. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

2.3 Release. A release or waiver or rights executed by a Developer shall not include rights under the Washington Franchise Investment Protection Act 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, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

2.4 Transfer Fees. Transfer fees are collectable to the extent that they reflect EEL’s reasonable estimated or actual costs in effecting a transfer.

2.5 Non-Competition Covenants

2.6 Non-Solicitation Covenants

3. Supplemental Agreement. This Addendum is hereby made supplemental to and as part of the Agreement. All of the terms and provisions of the Agreement, as amended above, shall remain in full force and effect from and after the date first above written, as the same may be later amended, supplemented or otherwise modified from time to time.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum.

ESCAPE ENTERPRISES, LTD., by
Escape Enterprises, Inc., Manager

[DEVELOPER]

By: _____
Name: Kennard M. Smith
Its: Chairman

By: _____
Name: _____
Its: _____

EXHIBIT C-11

STATE ADDENDUM: WISCONSIN

NONE

EXHIBIT D

STATE AGENTS FOR SERVICE OF PROCESS

Unless listed below, Escape does not have an agent for service of process in a State.

<u>State</u>	<u>Agent for Service of Process</u>
California	California Department of Financial Protection and Innovation 320 West 4 th Street, Suite 750 Los Angeles, CA 90013-2344
Illinois	Franchise Bureau, Office of the Attorney General Illinois Office of Attorney General 500 S. Second Street Springfield, IL 62706
Indiana	Franchise Section Indiana Securities Division 302 W. Washington Street, Room E-111 Indianapolis, IN 46204
Maryland	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020
Minnesota	Registration Division Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101
New York	Consent To Service Process New York State Department of State 99 Washington Avenue Albany, NY 12231
Rhode Island	State of Rhode Island and Providence Plantations Department of Business Regulation Securities Division 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920
Virginia	Clerk of the State Corporation Commission 1300 E. Main Street, 1 st Floor Richmond, VA 23219

<u>State</u>	<u>Agent for Service of Process</u>
Washington	State of Washington Department of Financial Institutions Securities Division 150 Israel Road, SW Tumwater, WA 98501
Wisconsin	Division of Securities State of Wisconsin Department of Financial Institutions 4822 Madison Yards Way, North Tower Madison, WI 53705

EXHIBIT E

CURRENT FRANCHISEES³
(AS OF 12/31/2021)

STORE NAME	ST	ADDRESS	BUSINESS PHONE	FRANCHISEE
Chandler Fashion Center	AZ	3111 W. Chandler Blvd., FF208 Chandler, AZ 85226	480/857-7090	JK&L Enterprises, LLC
Los Cerritos Mall	CA	135 Los Cerritos Center Cerritos, CA 90703	562/809-8486	Kim, Joshua, Jae Seun, June Spring
Logan	CO	5810 Logan St. Denver, CO 80216	720/887-0330	CDRC 58 th AVE, LLC
Willow Lake Shopping Center	IN	2440 Lake Circle Drive Indianapolis, IN 46240	317/820-5411	Fereidoon Restaurant LP
Cloquet	MN	1200 Hwy. 33 S. Cloquet, MN 55720	218/879-0902	T J Investments of Wisconsin, LP
Hibbing	MN	2500 E. Beltline Hibbing, MN 55746	218/262-5052	T J Investments of Wisconsin, LP
Oak Park Heights	MN	5910 Neal Avenue N. Oak Park Heights, MN 55082	651/439-7771	Stillwater Tacos, Inc.
Brandon	MS	12 Orleans Way Brandon, MS 39042	601/825-4331	Thomas, Gregory N.
Byram	MS	7404 S. Siwell Road Byram, MS 38272	601/371-3077	Eat Moore Steak, LLC
Flowood	MS	117 Promenade Boulevard Flowood, MS 39232	601/992-3838	SE of Dogwood Promenade, LLC
Hernando Retail Center	MS	2670 McIngvale Rd. Hernando, MS 38632	662/429-0737	Hoing, Ricky W. & Stacey D.
Madison	MS	1054 Gluckstadt Road A Madison, MS 39110	601-898-8222	Escape To Land, LLC
Northpark	MS	1200 East County Line Road Suite 1570 Ridgeland, MS 39157	601/957-5115	The Steak Escape of Northpark, Inc.
Crabtree Valley Mall	NC	4325 Glenwood Ave. Raleigh, NC 27612	919/571-0331	Abdallat, Ahmad F.
Eastland Mall	OH	4243 Eastland Mall, FC-6 Columbus, OH 43232	614/860-9054	Patel, Arun P. & Daksha A.
Dayton Mall	OH	2700 Miamisburg-Centerville Rd., #1401 Dayton, OH 45459	937/435-4883	CRG Dream LLC
Hilliard	OH	2526-2540 Hilliard Rome Road Hilliard, OH 43026	614/777-7616	Eat Proud LLC
Conant Crossings	OH	1389 Conant Street, Suite F Maumee, OH 43537	419/794-9959	Bobo Link Incorporated
Franklin Park Mall	OH	5001 Monroe St., Space FC-4 Toledo, OH 43623	419/475-1891	Judge Restaurants, Inc.
Westerville	OH	579 S. State St. Westerville, OH 43081	614/882-7145	Westerville Steak Partners, Ltd.
Vermillion	SD	825 E. Cherry Vermillion, SD 57069	605/624-9431	Hennessey, Inc.
Houston Levee Galleria	TN	3680 Houston Levee Rd., Suite 102 Collierville, TN 38017	901/853-1655	Pak, Su Yon
Jackson	TN	1430 Union University Drive, Suite A Jackson, TN 38305	731/736-3368	Quality and Beyond Food, Inc.
Nashville-NSH02-2 Reef	TN	607 14 th Avenue N. Nashville, TN 37203	877/989-7333	Vessel Operating Holdco, LLC
Wolfchase Galleria	TN	2760 N. Germantown Pkwy., Suite 252 Memphis, TN 38133	901/384-8156	Little Tokyo of Wolfchase, Inc.

³ This Exhibit also contains a sub-chart for the Reef Kitchen mentioned in Item 1 and elsewhere in this FDD. We do not consider Reef Kitchen outlets as franchisees, so their inclusion in this Exhibit is for your informational purposes only.

STORE NAME	ST	ADDRESS	BUSINESS PHONE	FRANCHISEE
Charleston	WV	3700 MacCorkle Ave., SE Charleston, WV 25304	304/925-9001	The Steak Escape of Kanawha City II, LLC
Fairmont	WV	2395 White Hall Boulevard Fairmont, WV 26554	304/363-0203	Little General Store, Inc.
Crossroads Mall	WV	65 Crossroads Mall, Room D-1 Mt. Hope, WV 25880	304/256-1990	MCQ, Inc.
Trace Fork	WV	81 RHL Blvd. S. Charleston, WV 25389	304/744-5227	Steak Escape of Trace Fork, LLC
Southridge	WI	5300 S. 76 th St. Greendale, WI 53129	414/423-8989	Laurel Plus, Inc.
West Towne Mall	WI	118 W. Towne Mall Madison, WI 53719	608/833-9771	Laurel Plus, Inc.
Mayfair Mall	WI	2500 N. Mayfair Rd. Wauwatosa, WI 53226	414/771-3330	Laurel Plus, Inc.

REEF STORE NAME	ST	ADDRESS	BUSINESS PHONE	LICENSEE
Atlanta-ATL43-2 Reef	GA	236 Williams Street Atlanta, GA 30303	877/989-7333	Vessel Operating Holdco, LLC
Chicago-CHI13-3	IL	409 N. Milwaukee Avenue Chicago, IL 60654	877/989-7333	Vessel Operating Holdco, LLC
Beaverton-POR25-2 Reef	OR	12975 SW Canyon Road Beaverton, OR 97005	877/989-7333	Vessel Operating Holdco, LLC
Portland-POR29-1 Reef	OR	1133 SE 82 nd Avenue Portland, OR 97216	877/989-7333	Vessel Operating Holdco, LLC
Nashville-NSH02-2 Reef	TN	607 14 th Avenue N. Nashville, TN 37203	877/989-7333	Vessel Operating Holdco, LLC
Nashville-NSH10-1 Reef	TN	2605 Lebanon Pike Nashville, TN 37214	877/989-7333	Vessel Operating Holdco, LLC
Dallas-DAL06-1 Reef	TX	501 N. Houston Street Dallas, TX 75202	877/989-7333	Vessel Operating Holdco, LLC
Houston-HOU-15 Reef	TX	6194 Hwy. 6 N. Houston, TX 77084	877/989-7333	Vessel Operating Holdco, LLC
Seattle-SEA14-1 Reef	WA	30 5 th Avenue North Seattle, WA 98109	877/989-7333	Vessel Operating Holdco, LLC

EXHIBIT F
FORMER FRANCHISEES

<i>NAME</i>	<i>LAST KNOWN CITY, STATE AND TELEPHONE NUMBER</i>
ENJEB Holdings, Inc.	Jackson, MS 601/715-4174
SESHMS Inc.	Southaven, MS 901/246-3167
Guimond, Jacob T.	Madison, WI 608/333-1103
Arfa Investment, Ltd.	Centerville, OH 937/886-8641

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

EXHIBIT G
DEVELOPERS

<i>NAME</i>	<i>ADDRESS AND TELEPHONE NUMBER</i>
Bin Mirza International (BMI)	First Floor, Bldg #1738 Way 2728 Sultanate of Oman +968 24 705557
Seven Corners Company	Riyadh Olayah Center Olayah Street, Riyadh, Kingdom of Saudi Arabia 966-12006650

EXHIBIT H

FINANCIAL STATEMENTS



INDEPENDENT AUDITORS' CONSENT

Holbrook & Manter, CPAs consents to the use in the Franchise Disclosure Document issued on March 31, 2022 by Escape Enterprises, Ltd. (the "Franchisor") of our report dated March 4, 2022 related to the financial statements of the Franchisor for the years ended December 31, 2021 and 2020.

A handwritten signature in black ink that reads "Holbrook & Manter".

Certified Public Accountants

March 31, 2022
Columbus, Ohio

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OHIO SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

ESCAPE ENTERPRISES, LTD.
(a majority owned subsidiary of Escape Enterprises, Inc.)
FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Escape Enterprises, Ltd.
Financial Statements
December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Members' of
Escape Enterprises, Ltd.
Columbus, Ohio

Opinion

We have audited the accompanying financial statements of Escape Enterprises, Ltd. (the Company), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations and members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OHIO SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

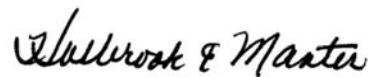
Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Certified Public Accountants

March 4, 2022
Columbus, Ohio

Escape Enterprises, Ltd
(A Majority Owned Subsidiary of Escape Enterprises, Inc.)
BALANCE SHEETS
AS OF DECEMBER 31, 2021 AND 2020

<u>ASSETS</u>		
	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:-		
Cash	\$ 664,261	\$ 449,721
Accounts receivable, net	56,079	100,967
Accounts receivable, other	7,039	7,795
Other current assets	771	771
Total current assets	<u>728,150</u>	<u>559,254</u>
PROPERTY AND EQUIPMENT:-		
Leasehold improvements	179,136	179,136
Furniture and fixtures	70,982	70,982
Equipment	317,564	317,564
Property and equipment, cost	<u>567,682</u>	<u>567,682</u>
Less accumulated depreciation	(493,293)	(488,755)
Total property and equipment, net	<u>74,389</u>	<u>78,927</u>
OTHER ASSETS:-		
Deposits	<u>4,292</u>	<u>4,292</u>
Total Assets	<u>\$ 806,831</u>	<u>\$ 642,473</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
CURRENT LIABILITIES:-		
Accounts payable and accrued expenses	\$ 22,671	\$ 24,441
Total current liabilities	<u>22,671</u>	<u>24,441</u>
LONG-TERM LIABILITIES:-		
Note payable	0	133,115
Deferred revenue	48,700	48,700
Total long-term liabilities	<u>48,700</u>	<u>181,815</u>
MEMBERS' EQUITY:-	<u>735,460</u>	<u>436,217</u>
Total Liabilities and Members' Equity	<u>\$ 806,831</u>	<u>\$ 642,473</u>

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

Escape Enterprises, Ltd.
(A Majority Owned Subsidiary of Escape Enterprises, Inc.)
STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
REVENUES:-		
Royalty fees	\$ 1,054,074	\$ 938,660
Franchise and transfer fees	<u>30,900</u>	<u>33,750</u>
Total Revenues	<u>1,084,974</u>	<u>972,410</u>
EXPENSES:-		
General and administrative expenses	<u>942,409</u>	<u>945,349</u>
Total Expenses	<u>942,409</u>	<u>945,349</u>
Income from Operations	142,565	27,061
OTHER INCOME:-		
Other income	<u>156,678</u>	<u>31,709</u>
NET INCOME	299,243	58,770
Members' Equity, beginning of year	<u>436,217</u>	<u>377,447</u>
Members' Equity, end of year	<u><u>\$ 735,460</u></u>	<u><u>\$ 436,217</u></u>

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

Escape Enterprises, Ltd.
(A Majority Owned Subsidiary of Escape Enterprises, Inc.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income from continuing operations	\$ 299,243	\$ 58,770
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,538	5,346
Changes in assets and liabilities:		
Accounts receivable, net	44,888	19,788
Accounts receivable, other	756	27,296
Accounts payable and accrued expenses	<u>(1,770)</u>	<u>12,299</u>
Net cash provided by operating activities	<u>347,655</u>	<u>123,499</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Payments) proceeds from note payable	<u>(133,115)</u>	<u>133,115</u>
Net cash (used) provided by financing activities	<u>(133,115)</u>	<u>133,115</u>
Net change in cash	214,540	256,614
Cash, at beginning of year	<u>449,721</u>	<u>193,107</u>
Cash, end of year	<u><u>\$ 664,261</u></u>	<u><u>\$ 449,721</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:-		
Cash paid for income taxes	\$ 0	\$ 0
Cash paid for interest	\$ 0	\$ 0

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

Escape Enterprises, Ltd.
Notes to Financial Statements
December 31, 2021 and 2020

1. Summary of Significant Accounting Policies

Nature of Operations

Escape Enterprises, Ltd. (EEL) franchises independently owned quick service restaurants under the brand name “The Steak Escape.” EEL has approximately 35 franchised restaurants open in 14 states and 3 countries as of December 31, 2021 and 2020. Furthermore, the Company is a majority-owned (96%) subsidiary of Escape Enterprises, Inc. (EEI).

Concentration Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. The Company places its temporary cash investments with financial institutions. At times, amounts may exceed federally insured limits. The Company’s results of operations are affected by a wide variety of factors, including general economic conditions, the ability to attract new franchisees, and the ability to enter into new markets.

Accounts Receivable

Accounts receivable consists primarily of royalty and marketing fees charged to franchisees based on sales. Interest on past due balances may be charged at 5% above the current prime interest rate. The Company reports trade receivables at net realizable value. The Company recognizes an allowance for losses on accounts receivable in an amount equal to the estimated probable losses net of recoveries. The allowance is based on an analysis of historical bad debt experience, current receivables aging, and the expected future write-offs, as well as an assessment of specific identifiable customer accounts considered risky or uncollectible. The expense associated with the allowance for doubtful accounts is recognized as general and administrative expense. The Company recorded an allowance for doubtful accounts of \$40,000 at December 31, 2021 and 2020.

Accounts Receivable, Other

Accounts receivable, other consists of various receivables from employees, affiliated entities and others (see Note 2). Management considers all fully collectible.

Property and Equipment

Leasehold improvements are stated at cost and are depreciated using the straight-line method over the lesser of the life of the lease or the estimated useful life of the assets, which currently range from 5 to 39 years. Furniture and fixtures and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, which is 5 years. Depreciation expense from continuing operations for the years ended December 31, 2021 and 2020 was \$4,538 and \$5,346, respectively.

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset. If the carrying amount of an asset may not be recoverable, write-down to fair market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified. No impairment was identified for the years ended December 31, 2021 and 2020.

Routine expenditures for repairs and maintenance are expensed as incurred.

Escape Enterprises, Ltd.
Notes to Financial Statements
December 31, 2021 and 2020

Revenue Recognition Significant Accounting Policies under ASC 606

Royalty Fees

The Company derives its revenues primarily from the collection of royalty fees from franchisees. Revenues are recognized when control of these services is transferred to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products and services. Sales and other taxes the Company collects concurrent with revenue-producing activities are excluded from revenue. Incidental items that are immaterial in the context of the contract are recognized as expense. The Company does not have any significant financing components as payment is received at or shortly after the point of sale. Costs incurred to obtain a contract will be expenses as incurred when the amortization period is less than a year.

The Company collects a franchise fee of 6% of gross sales (royalty fee) that is charged to the franchisees for the use of the brand name “The Steak Escape” and related system. Under special circumstances, the Company may, at its discretion, reduce the percentage of royalty fees to less than 6%. The royalty fee is recognized as revenue in the same month of the related franchisee’s gross sales. The Company collects a marketing fee of 0.5% of gross sales that is charged to franchisees. Once the amount is collected, it is passed on to Escape Enterprises, Inc. (EEI), the majority owner, which maintains the marketing fund.

Franchise and Transfer fees

The Company also at times executes franchise and development territory agreements for franchise restaurants, which define the terms of the agreement with the franchisee. The Company’s franchise and developmental territory agreements require that franchisees pay an initial, non-refundable fee and a continuing fee based on a percentage of sales. The Company recognizes initial and optional franchise fees and development territory fees as revenue after performing substantially all initial services or conditions required by the franchise agreements, which is generally upon the opening of the restaurant.

Deferred revenue (contract liabilities) represents franchise fees which have been received, but for which the prescribed services have not yet been completed. These fees will be recognized as revenue when these services are completed. Management has adopted the practical expedient whereby costs to obtain these contracts are not capitalized.

Escape Enterprises, Ltd.
Notes to Financial Statements
December 31, 2021 and 2020

In addition, the Company periodically sells the limited rights to develop restaurants in certain geographical territories to select franchisees. Fees received, net of related direct costs, are recorded as deferred revenue and recognized as income upon completion of services. An analysis of deferred revenue, net is as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 48,700	\$ 48,700
Initial deposits received for international development agreements	0	0
Initial franchise fee deposits received	0	0
Transfer and renewal fee deposits received	30,900	33,750
Initial franchise fee revenue recognized for stores opened during year	0	0
Revenue recognized for international development agreements during the year	0	0
Transfer and renewal fee revenue recognized during the year	<u>(30,900)</u>	<u>(33,750)</u>
Balance, end of year	\$ <u>48,700</u>	\$ <u>48,700</u>

Advertising

The Company expenses the costs of advertising not covered under the Company's marketing fee assessment at the time the advertising cost is incurred.

Income Taxes

The Company is organized as a partnership and therefore is not subject to federal or state income taxes at the corporate level, but rather such income is included in the members' taxable income. Accordingly, no provision has been made for federal and state income taxes in the accompanying financial statements.

The Company accounts for uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon the examination by the tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. Management believes that there are no uncertain tax positions as of December 31, 2021 and 2020.

The Company's income tax filings are subject to audit by various taxing authorities. In evaluating the Company's activities, the Company believes its tax position is current based on current facts and circumstances.

It is the policy of the Company to include in its statements of operations penalties and interest assessed by income taxing authorities. There are no penalties or interest from taxing authorities included in the statements of operations and members' equity for 2021 or 2020.

Escape Enterprises, Ltd.
Notes to Financial Statements
December 31, 2021 and 2020

Taxes Collected from Customers

The Company collected sales tax from its customers on product sales that is remitted to various state governmental authorities when due. The Company's policy is to record taxes collected from customers as a component of accrued expenses on its balance sheets and not in its statements of operations and members' equity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (*Topic 842*), which amends existing accounting standards for lease accounting, including by requiring lessees to recognize most leases on the balance sheet and making certain changes to lessor accounting. The new standard is effective for non-public entities for fiscal years beginning after December 15, 2021 and for interim periods therein with early adoption permitted. The Company is currently evaluating the impact the new standard may have on the Company's financial statements.

In May 2014, the FASB issued ASU No. 2014 - 09, "Revenue from Contracts with Customers (*Topic 606*)". The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted the new standard effective January 1, 2019, the first day of the Company's fiscal year. As part of the adoption of the ASU, the Company elected the following transition practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. The majority of the Company's revenue is recognized at a point in time based on the transfer of control. In addition, the majority of the Company's contracts do not contain variable consideration and contract modifications are generally minimal. For these reasons, there is not a significant impact as a result of electing these transition practical expedients. The adoption of this ASU did not have a significant impact on the Company's financial statements. The majority of the Company's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on the Company's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

2. Related Party Transactions

The Company paid approximately \$252,000 and \$141,000 to EEI for fees and services for the years ended December 31, 2021 and 2020, respectively, which is included in general and administrative expenses in the statements of operations and members' equity.

Escape Enterprises, Ltd.
Notes to Financial Statements
December 31, 2021 and 2020

The Company recorded royalties from franchises in which certain shareholders' of EEI have direct financial interests totaling approximately \$128,000 and \$120,000 for the years ended December 31, 2021 and 2020, respectively.

Accounts receivable from affiliated companies, included in accounts receivable and accounts receivable, other on the balance sheets, totaled approximately \$14,000 and \$23,000 as of December 31, 2021 and 2020, respectively.

3. Commitments

Operating Leases

Copier Lease

The Company has a 60-month lease for a copy machine, which was entered into in November 2017. In January 2022, this lease was cancelled, and the Company entered into a new 60-month copier lease.

As of December 31, 2021, the future minimum lease payments (excluding executory costs) under this new copier lease were as follows:

2022	\$	9,792
2023		9,792
2024		9,792
2025		9,792
2026		9,792

Administrative Facility Lease

In January 2013, the Company entered into a lease with an affiliated corporation that was owned by certain shareholders of EEI for the administrative facility.

During June 2018, the administrative facility was sold to an outside third party (and the lease agreement mentioned above was terminated) and the affiliated corporation purchased a new facility and office space in November 2018. As of December 31, 2021 and 2020, the Company and the affiliated corporation are on a month-to-month lease for the new facility and office space. The affiliated corporation charges the Company a monthly lease fee for the use of the office space.

During the years ended December 31, 2021 and 2020, the Company incurred approximately \$47,000 and \$43,000, respectively, in administrative facility and copier rent costs.

Escape Enterprises, Ltd.
Notes to Financial Statements
December 31, 2021 and 2020

4. Debt

Paycheck Protection Program Loan

On May 1, 2020 the Company qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the PPP Lender), for an aggregate principal amount of approximately \$133,000 (the PPP Loan). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Company's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Company. This amount was forgiven by the PPP Lender in April 2021 and the amount is included in other income in the statements of operations and members' equity for the year ended December 31, 2021.

5. Retirement Plan

The Company has a defined contribution 401(k) plan covering substantially all employees. Employer contributions are discretionary. There were no employer contributions in 2021 and 2020.

6. Contingencies

From time to time the Company may be subject to lawsuits and other charges from franchisees, guests and employees, which are typical within the industry. In the opinion of management, any open matters will not have a material effect upon the financial position of the Company.

The Company also may, from time to time, place charges and lawsuits against certain franchisees who may have terminated franchisee contracts early, and the Company is entitled to compensation. The ultimate outcomes of these charges cannot be reasonably determined; therefore, no amounts have been recognized for possible collection.

7. Revenue Recognition under ASC 606

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Revenue Recognized at a Point in Time:		
Royalty Fees	\$ 1,054,074	\$ 938,660
Revenue Recognized Over Time:		
Franchise and Transfer Fees	<u>30,900</u>	<u>33,750</u>
Total Revenue Recognized	<u>\$ 1,084,974</u>	<u>\$ 972,410</u>

Revenue from performance obligations satisfied at a point in time consists of royalty fees from franchisees.

Escape Enterprises, Ltd.
Notes to Financial Statements
December 31, 2021 and 2020

Revenue from performance obligations satisfied over time consists of the franchise and transfer fees from franchisees.

PERFORMANCE OBLIGATIONS

For performance obligations related to the sale of royalty fees, control transfers to the customer at a point in time. Revenues are recognized when control of these services is transferred to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products and services.

For performance obligations related to franchise and transfer fees, control transfers to the customer over time. The Company recognizes initial and optional franchise fees and development territory fees as revenue after performing substantially all initial services or conditions required by the franchise agreements, which is generally upon the opening of the restaurant.

VARIABLE CONSIDERATION

The nature of the Company's business gives rise to variable consideration, including rebates, allowances, and returns that generally decrease the transaction price that reduces revenue. These variable amounts are generally credited to the customer, based on achieving certain levels of sales activity, product returns or price concessions.

Variable consideration is estimated at the most likely amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are estimated based upon historical experience and known trends.

8. Subsequent Events

The Company has evaluated events through March 4, 2022, which is the date that the financial statements were available to be issued.

In March 2020, the World Health Organization declared the global novel coronavirus disease (COVID-19) outbreak a pandemic. As of the date of the financial statements were available to be issued, the Company's operations have not been significantly impacted by the COVID-19 outbreak. However, the Company cannot reasonably estimate at this time the specific extent, duration, or full impact that the COVID-19 pandemic will have on its financial condition and operations.

ESCAPE ENTERPRISES, LTD.
(a majority owned subsidiary of Escape Enterprises, Inc.)
FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Escape Enterprises, Ltd.
Financial Statements
December 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Members' of
Escape Enterprises, Ltd.
Columbus, Ohio

We have audited the accompanying financial statements of Escape Enterprises, Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations and members' equity and cash flows for the years then ended, and the related notes to the financial statements.

Managements' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

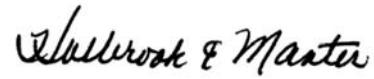
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OHIO SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, reading "Shullbrook & Mantel". The script is cursive and fluid.

Certified Public Accountants

March 15, 2021
Columbus, Ohio

Escape Enterprises, Ltd
(A Majority Owned Subsidiary of Escape Enterprises, Inc.)
BALANCE SHEETS
AS OF DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>		
	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:-		
Cash	\$ 449,721	\$ 193,107
Accounts receivable, net	100,967	120,755
Accounts receivable, other	7,795	35,091
Other current assets	<u>771</u>	<u>771</u>
Total current assets	559,254	349,724
PROPERTY AND EQUIPMENT:-		
Leasehold improvements	179,136	179,136
Furniture and fixtures	70,982	70,982
Equipment	<u>317,564</u>	<u>317,564</u>
Property and equipment, cost	567,682	567,682
Less accumulated depreciation	<u>(488,755)</u>	<u>(483,409)</u>
Total property and equipment, net	78,927	84,273
OTHER ASSETS:-		
Deposits	<u>4,292</u>	<u>4,292</u>
Total Assets	<u>\$ 642,473</u>	<u>\$ 438,289</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
CURRENT LIABILITIES:-		
Accounts payable and accrued expenses	\$ <u>24,441</u>	\$ <u>12,142</u>
Total current liabilities	<u>24,441</u>	<u>12,142</u>
LONG-TERM LIABILITIES:-		
Note payable	133,115	0
Deferred revenue	<u>48,700</u>	<u>48,700</u>
Total long-term liabilities	181,815	48,700
MEMBERS' EQUITY:-	<u>436,217</u>	<u>377,447</u>
Total Liabilities and Members' Equity	<u>\$ 642,473</u>	<u>\$ 438,289</u>

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

Escape Enterprises, Ltd.
(A Majority Owned Subsidiary of Escape Enterprises, Inc.)
STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
REVENUES:-		
Royalty fees	\$ 938,660	\$ 972,054
Franchise and transfer fees	<u>33,750</u>	<u>60,000</u>
Total Revenues	<u>972,410</u>	<u>1,032,054</u>
EXPENSES:-		
General and administrative expenses	<u>945,349</u>	<u>980,389</u>
Total Expenses	<u>945,349</u>	<u>980,389</u>
Income from Operations	27,061	51,665
OTHER INCOME:-		
Other income	<u>31,709</u>	<u>47,003</u>
NET INCOME	58,770	98,668
Net Change of Accounts Receivable, Parent	0	13,416
Members' Equity, beginning of year	<u>377,447</u>	<u>265,363</u>
Members' Equity, end of year	<u><u>\$ 436,217</u></u>	<u><u>\$ 377,447</u></u>

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

Escape Enterprises, Ltd.
(A Majority Owned Subsidiary of Escape Enterprises, Inc.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:-		
Net income from continuing operations	\$ 58,770	\$ 98,668
Adjustments to reconcile net income to net cash provided by operating activities:-		
Depreciation	5,346	5,269
Changes in assets and liabilities:-		
Accounts receivable, net	19,788	(9,686)
Accounts receivable, other	27,296	8,521
Other current assets	0	3,327
Accounts payable and accrued expenses	12,299	209
Deferred revenue, net	<u>0</u>	<u>(60,000)</u>
Net cash provided by operating activities	<u>123,499</u>	<u>46,308</u>
CASH FLOWS FROM FINANCING ACTIVITIES:-		
Accounts receivable, parent- net	0	13,416
Proceeds from note payable	<u>133,115</u>	<u>0</u>
Net cash provided by financing activities	<u>133,115</u>	<u>13,416</u>
Net change in cash	256,614	59,724
Cash, at beginning of year	<u>193,107</u>	<u>133,383</u>
Cash, end of year	<u><u>\$ 449,721</u></u>	<u><u>\$ 193,107</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:-		
Cash paid for income taxes	\$ 0	\$ 0
Cash paid for interest	\$ 0	\$ 0

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

Escape Enterprises, Ltd.
Notes to Financial Statements
December 31, 2020 and 2019

1. Summary of Significant Accounting Policies

Nature of Operations

Escape Enterprises, Ltd. (EEL) franchises independently owned quick service restaurants under the brand name “The Steak Escape.” EEL had approximately 35 franchised restaurants open in 14 states and 3 countries, and 40 franchised restaurants open in 14 states and 3 countries as of December 31, 2020 and 2019, respectively. Furthermore, the Company is a majority-owned (96%) subsidiary of Escape Enterprises, Inc. (EEI).

Concentration Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. The Company places its temporary cash investments with financial institutions. At times, amounts may exceed federally insured limits. The Company’s results of operations are affected by a wide variety of factors, including general economic conditions, the ability to attract new franchisees, and the ability to enter into new markets.

Accounts Receivable

Accounts receivable consists primarily of royalty and marketing fees charged to franchisees based on sales. Interest on past due balances may be charged at 5% above the current prime interest rate. The Company reports trade receivables at net realizable value. The Company recognizes an allowance for losses on accounts receivable in an amount equal to the estimated probable losses net of recoveries. The allowance is based on an analysis of historical bad debt experience, current receivables aging, and the expected future write-offs, as well as an assessment of specific identifiable customer accounts considered risky or uncollectible. The expense associated with the allowance for doubtful accounts is recognized as general and administrative expense. The Company recorded an allowance for doubtful accounts of \$40,000 at December 31, 2020 and 2019.

Accounts Receivable, Other

Accounts receivable, other consists of various receivables from employees, affiliated entities and others (see Note 2). Management considers all fully collectible.

Property and Equipment

Leasehold improvements are stated at cost and are depreciated using the straight-line method over the lesser of the life of the lease or the estimated useful life of the assets, which currently range from 5 to 39 years. Furniture and fixtures and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, which is 5 years. Depreciation expense from continuing operations for the years ended December 31, 2020 and 2019 was \$5,346 and \$5,269, respectively.

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset. If the carrying amount of an asset may not be recoverable, write-down to fair market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified. No impairment was identified for the years ended December 31, 2020 and 2019.

Routine expenditures for repairs and maintenance are expensed as incurred.

Escape Enterprises, Ltd.
Notes to Financial Statements
December 31, 2020 and 2019

Revenue Recognition Significant Accounting Policies under ASC 606

Royalty Fees

The Company derives its revenues primarily from the collection of royalty fees from franchisees. Revenues are recognized when control of these services is transferred to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products and services. Sales and other taxes the Company collects concurrent with revenue-producing activities are excluded from revenue. Incidental items that are immaterial in the context of the contract are recognized as expense. The Company does not have any significant financing components as payment is received at or shortly after the point of sale. Costs incurred to obtain a contract will be expenses as incurred when the amortization period is less than a year.

The Company collects a franchise fee of 6% of gross sales (royalty fee) that is charged to the franchisees for the use of the brand name “The Steak Escape” and related system. Under special circumstances, the Company may, at its discretion, reduce the percentage of royalty fees to less than 6%. The royalty fee is recognized as revenue in the same month of the related franchisee’s gross sales. The Company collects a marketing fee of 0.5% of gross sales that is charged to franchisees. Once the amount is collected, it is passed on to Escape Enterprises, Inc. (EEI), the majority owner, which maintains the marketing fund.

Franchise and Transfer fees

The Company also at times executes franchise and development territory agreements for franchise restaurants, which define the terms of the agreement with the franchisee. The Company’s franchise and developmental territory agreements require that franchisees pay an initial, non-refundable fee and a continuing fee based on a percentage of sales. The Company recognizes initial and optional franchise fees and development territory fees as revenue after performing substantially all initial services or conditions required by the franchise agreements, which is generally upon the opening of the restaurant.

Deferred revenue (contract liabilities) represents franchise fees which have been received, but for which the prescribed services have not yet been completed. These fees will be recognized as revenue when these services are completed. Management has adopted the practical expedient whereby costs to obtain these contracts are not capitalized.

Escape Enterprises, Ltd.
Notes to Financial Statements
December 31, 2020 and 2019

In addition, the Company periodically sells the limited rights to develop restaurants in certain geographical territories to select franchisees. Fees received, net of related direct costs, are recorded as deferred revenue and recognized as income upon completion of services. An analysis of deferred revenue, net is as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 48,700	\$ 108,700
Initial deposits received for international development agreements	0	0
Initial franchise fee deposits received	0	0
Transfer and renewal fee deposits received	33,750	0
Initial franchise fee revenue recognized for stores opened during year	0	0
Revenue recognized for international development agreements during the year	0	0
Transfer and renewal fee revenue recognized during the year	<u>(33,750)</u>	<u>(60,000)</u>
Balance, end of year	\$ <u>48,700</u>	\$ <u>48,700</u>

Advertising

The Company expenses the costs of advertising not covered under the Company's marketing fee assessment, at the time the advertising cost is incurred.

Income Taxes

The Company is organized as a partnership and therefore is not subject to federal or state income taxes at the corporate level, but rather such income is included in the members' taxable income. Accordingly, no provision has been made for federal and state income taxes in the accompanying financial statements.

The Company accounts for uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon the examination by the tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. Management believes that there are no uncertain tax positions as of December 31, 2020 and 2019.

The Company's income tax filings are subject to audit by various taxing authorities. In evaluating the Company's activities, the Company believes its tax position is current based on current facts and circumstances.

It is the policy of the Company to include in its statements of operations penalties and interest assessed by income taxing authorities. There are no penalties or interest from taxing authorities included in the statements of operations and members' equity for 2020 or 2019.

Escape Enterprises, Ltd.
Notes to Financial Statements
December 31, 2020 and 2019

Taxes Collected from Customers

The Company collected sales tax from its customers on product sales that is remitted to various state governmental authorities when due. The Company's policy is to record taxes collected from customers as a component of accrued expenses on its balance sheets and not in its statements of operations and members' equity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (*Topic 842*), which amends existing accounting standards for lease accounting, including by requiring lessees to recognize most leases on the balance sheet and making certain changes to lessor accounting. The new standard is effective for non-public entities for fiscal years beginning after December 15, 2021 and for interim periods therein with early adoption permitted. The Company is currently evaluating the impact the new standard may have on the Company's financial statements.

In May 2014, the FASB issued ASU No. 2014 - 09, "Revenue from Contracts with Customers (*Topic 606*)". The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted the new standard effective January 1, 2019, the first day of the Company's fiscal year. As part of the adoption of the ASU, the Company elected the following transition practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. The majority of the Company's revenue is recognized at a point in time based on the transfer of control. In addition, the majority of the Company's contracts do not contain variable consideration and contract modifications are generally minimal. For these reasons, there is not a significant impact as a result of electing these transition practical expedients. The adoption of this ASU did not have a significant impact on the Company's financial statements. The majority of the Company's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on the Company's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

2. Related Party Transactions

The Company paid approximately \$141,000 and \$270,000 to EEI for fees and services for the years ended December 31, 2020 and 2019, respectively, which is included in general and administrative expenses in the statements of operations and members' equity.

Escape Enterprises, Ltd.
Notes to Financial Statements
December 31, 2020 and 2019

The Company recorded royalties from franchises in which certain shareholders' of EEI have direct financial interests totaling approximately \$120,000 and \$93,000 for the years ended December 31, 2020 and 2019, respectively.

Accounts receivable from affiliated companies, included in accounts receivable and accounts receivable, other on the balance sheets, totaled approximately \$23,000 and \$53,000 as of December 31, 2020 and 2019, respectively.

3. Commitments

Operating Leases

Copier Lease

The Company has a 60-month lease for a copy machine, which was entered into in November 2017. The copy machine lease is under a noncancelable operating lease.

As of December 31, 2020, the future minimum rental commitments (excluding executory costs) under the copier lease was as follows:

Year ending	<u>Total</u>
2021	\$ 11,964
2022	10,967

Administrative Facility Lease

In January 2013, the Company entered into a lease with an affiliated corporation that was owned by certain shareholders of EEI for the administrative facility that provided for monthly rental payments of \$5,000 commencing in January 1, 2013 and ending on December 31, 2017.

During June 2018, the administrative facility was sold to an outside third party (and the lease agreement mentioned above was terminated) and the affiliated corporation purchased a new facility and office space in November 2018. As of December 31, 2020 and 2019, no formal lease agreement had been signed between the Company and the affiliated corporation for the new facility and office space. The affiliated corporation charges the Company a monthly lease fee for the use of the office space.

During the years ended December 31, 2020 and 2019, the Company incurred approximately \$43,000 and \$35,000 in administrative facility and copier rent costs, respectively.

Escape Enterprises, Ltd.
Notes to Financial Statements
December 31, 2020 and 2019

4. Debt

Paycheck Protection Program Loan

On May 1, 2020 the Company qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the PPP Lender), for an aggregate principal amount of approximately \$133,000 (the PPP Loan). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Company's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Company. The Company intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. To the extent that all or part of the PPP Loan is not forgiven, the Company will be required to pay interest on the PPP Loan at a rate of 1.0% per annum and commencing on May 1, 2020 principal and interest payments will be required through the maturity date on April 30, 2022. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default.

5. Retirement Plan

The Company has a defined contribution 401(k) plan covering substantially all employees. Employer contributions are discretionary. There were no employer contributions in 2020 and 2019.

6. Contingencies

From time to time the Company may be subject to lawsuits and other charges from franchisees, guests and employees, which are typical within the industry. In the opinion of management, any open matters will not have a material effect upon the financial position of the Company.

Escape Enterprises, Ltd.
Notes to Financial Statements
December 31, 2020 and 2019

7. Revenue Recognition under ASC 606

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Revenue Recognized at a Point in Time:		
Royalty Fees	\$ 938,660	\$ 972,054
Revenue Recognized Over Time:		
Franchise and Transfer Fees	33,750	60,000
Total Revenue Recognized	<u>\$ 972,410</u>	<u>\$ 1,032,054</u>

Revenue from performance obligations satisfied at a point in time consists of royalty fees from franchisees.

Revenue from performance obligations satisfied over time consists of the franchise and transfer fees from franchisees.

PERFORMANCE OBLIGATIONS

For performance obligations related to the sale of royalty fees, control transfers to the customer at a point in time. Revenues are recognized when control of these services is transferred to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products and services.

For performance obligations related to franchise and transfer fees, control transfers to the customer over time. The Company recognizes initial and optional franchise fees and development territory fees as revenue after performing substantially all initial services or conditions required by the franchise agreements, which is generally upon the opening of the restaurant.

VARIABLE CONSIDERATION

The nature of the Company's business gives rise to variable consideration, including rebates, allowances, and returns that generally decrease the transaction price that reduces revenue. These variable amounts are generally credited to the customer, based on achieving certain levels of sales activity, product returns or price concessions.

Variable consideration is estimated at the most likely amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are estimated based upon historical experience and known trends.

Escape Enterprises, Ltd.
Notes to Financial Statements
December 31, 2020 and 2019

8. Subsequent Events

The Company has evaluated events through March 15, 2021, which is the date that the financial statements were available to be issued.

In March 2020, the World Health Organization declared the global novel coronavirus disease (COVID-19) outbreak a pandemic. As of the date of the financial statements were available to be issued, the Company's operations have not been significantly impacted by the COVID-19 outbreak. However, the Company cannot reasonably estimate at this time the specific extent, duration, or full impact that the COVID-19 pandemic will have on its financial condition and operations.

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	September 10, 2021
Hawaii	Not registered
Illinois	May 3, 2021
Indiana	July 1, 2021
Maryland	March 17, 2022
Michigan	April 30, 2021
Minnesota	July 15, 2021
New York	May 6, 2021
North Dakota	Not registered
Rhode Island	April 3, 2021
South Dakota	Not Registered
Virginia	September 16, 2021
Washington	March 21, 2022
Wisconsin	April 28, 2021

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

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Escape Enterprises, Ltd. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. In addition, New York law requires a franchisor to provide the franchise disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Escape Enterprises, Ltd. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and to any applicable state administrator as listed on Exhibit A.

The following Franchise Sellers were involved in offering this Franchise:

Name	Principal Business Address	Telephone Number
Kennard M. Smith	1099 Sullivant Avenue Columbus, Ohio 43223	(614) 224-0300, Ext. 1002

Issuance Date: **March 31, 2022**

Except as set forth in Exhibit D, Escape has no registered agent in this state authorized to receive service of process for Escape.

I received a disclosure document with an issuance date of March 31, 2022 that included the following Exhibits:

- | | |
|--|---|
| A. State Administrators | B-1. Franchise Agreement |
| B. Form Agreements | B-2. Guaranty (Franchise Agreement) |
| C. State Differences | B-3. Development Agreement |
| D. State Agents for Service of Process | B-4. Guaranty (Development Agreement) |
| E. Current Franchisees | B-5. Management Development Guide Table of Contents |
| F. Former Franchisees | B-6. Site Acceptance Request |
| G. Developers | B-7. Summary of Acknowledgements |
| H. Financial Statements | |
| I. State Effective Dates | |
| J. Receipt | |

Dated: _____

Franchisee:

individually and, if applicable as an officer or
partner of _____

RETAIN THIS COPY FOR YOUR RECORDS

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| J. Receipt | |

Dated: _____

Franchisee:

individually and, if applicable as an officer or partner of _____

PLEASE SIGN AND RETURN THIS COPY TO:
ESCAPE ENTERPRISES, LTD.
ATTN: FRANCHISE DEVELOPMENT
1099 SULLIVANT AVENUE
COLUMBUS, OHIO 43223