

FRANCHISE DISCLOSURE DOCUMENT

CHAPS PIT BEEF FRANCHISING LLC

A Maryland Limited Liability Company

8 Patrick Way

Kingsville, MD 21807

Phone: 443-873-0017

<http://www.chapspitbeef.com>

<https://www.facebook.com/ChapsPitBeef/>

<https://twitter.com/ChapsPitBeef>

<https://www.instagram.com/chapspitbeef/>

https://www.youtube.com/results?search_query=chaps+pit+beef&aq=f

bdcreager@chapspitbeef.com



You will sell fast, casual fare featuring charcoal pit cooked meats, BBQ and fish, in a variety of sandwiches and platters, other related products, and may sell alcohol, from a CHAPS PIT BEEF® or FAMOUS CHAPS PIT BEEF 1987™ restaurant.

The total investment necessary to begin operation of a CHAPS PIT BEEF® or FAMOUS CHAPS PIT BEEF 1987™ franchised business is \$335,300 to \$819,000, or if you offer alcohol, \$355,600 to \$1,844,000. This includes \$30,000 to \$34,000 that must be paid to the franchisor or its affiliate(s).

We also offer a multi-unit development opportunity. The total investment necessary under the multi-unit development agreement for development of a minimum of three CHAPS PIT BEEF® and/or FAMOUS CHAPS PIT BEEF 1987™ restaurants is \$50,000. This includes \$50,000 that must be paid to the franchisor or affiliate. There is a development fee that must be paid to us of \$30,000 for the first restaurant plus \$10,000 multiplied by the number of additional restaurants that you must open under the multi-unit development agreement, after the first. We will credit the development fee paid for a particular restaurant as a deposit against the initial franchise fee for the restaurant.

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 Donna Creager, Chief Executive Officer at Post Office Box 187, Upper Falls, Maryland 21156 and 410-592-7952.

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

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

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

ISSUED: March 30, 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 K or Exhibit L.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only CHAPS PIT BEEF® or FAMOUS CHAPS PIT BEEF 1987™ 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 CHAPS PIT BEEF® or FAMOUS CHAPS PIT BEEF 1987™ franchisee?	Item 20 or Exhibit K or Exhibit L 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 the multi-unit development agreement each requires you to resolve disputes with the franchisor by mediation and arbitration only in Maryland. Out-of-state mediation and arbitration may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in Maryland than in your own state.
2. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
3. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This 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.

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Exhibit N	State Addenda and Agreement Amendments
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APPLICABLE STATE LAW MIGHT REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT, AND MIGHT REQUIRE A RIDER TO THE AGREEMENTS. THESE ADDITIONAL DISCLOSURES AND RIDERS, IF ANY, APPEAR IN **EXHIBIT N**.

Item 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language of this disclosure document, “we”, “us”, or “our” means CHAPS PIT BEEF FRANCHISING LLC, the franchisor. We will refer to the persons who buy the franchise as “you” throughout the disclosure document. We will only enter into a franchise agreement and a multi-unit development agreement with individuals, and not a corporation or limited liability company. However, we will allow you to assign a franchise agreement and a multi-unit development agreement to an approved form of entity if you comply with the transfer provisions of the agreement, including that you guarantee the obligations of the entity and agree to remain liable under the applicable provisions of the agreement. “You” in this disclosure document will generally refer to both the individuals and the entity.

Franchisor, Parents, Predecessors and Affiliates

We are a Maryland limited liability company formed on January 13, 2017. Our principal business address is 8 Patrick Way, Kingsville, Maryland 21807. We do business under our entity name, CHAPS PIT BEEF FRANCHISING LLC, and the names “Chaps Pit Beef,” “Chaps Pit Beef 1987,” “Famous Chaps Pit Beef 1987,” “Chaps,” and “Chaps 1987.” We do not conduct business or intend to do business under any other names.

We do not have any parents or predecessors. We are affiliated with the following company that may provide goods, services, or both, to us or our franchisees:

Chaps Pit Beef, Inc., a Maryland corporation incorporated on February 19, 2009 with a principal business address at 8 Patrick Way, Kingsville, Maryland 21807. Chaps Pit Beef, Inc. is the owner of certain intellectual property we use in connection with CHAPS PIT BEEF® restaurants, including recipes, formulas, food preparation procedures, business methods, business forms and business policies. Chaps Pit Beef, Inc. licenses to us the right to use the intellectual property it owns and to further sublicense to our franchisees for use in connection with CHAPS PIT BEEF® and FAMOUS CHAPS PIT BEEF 1987™ restaurants. Chaps Pit Beef, Inc. was the owner of the trade name and service mark CHAPS PIT BEEF® and related word and design trademark and licensed to us the right to use these marks and to further sublicense these marks to our franchisees for use in connection with CHAPS PIT BEEF® restaurants until April 27, 2021 when these marks were assigned to us. See Item 13.

Except for the company described above, we currently have no other affiliates that we must include in this Item.

Agent for Service of Process

If we have an agent for service of process in your state, we disclose that agent in **Exhibit A**.

The Business We Offer and Prior Experience

We are a company that sells franchises for the operation of restaurants (a “Restaurant,” and collectively, “Restaurants”) operating under the mark CHAPS PIT BEEF® or FAMOUS CHAPS PIT BEEF 1987™ and any other trademarks, trade names, service marks and related logos we may develop (the “Marks”) and under certain mandatory and suggested specifications, brand standards, methods and operating procedures relating to the establishment, development and operation of a Restaurant (the “System”). In this disclosure document, a Restaurant refers to a restaurant operating under either the mark CHAPS PIT BEEF® or FAMOUS CHAPS PIT BEEF 1987™, both of which will operate under the System. Our business includes the sale and management of franchises, the sale of goods and services to our franchisees and the sale of goods to the general public. We may also sell directly or license others to

sell goods and services authorized to be offered by the Restaurants under the marks CHAPS PIT BEEF® or FAMOUS CHAPS PIT BEEF 1987™ or any other name or trademark, other than from a traditional restaurant. These other means of selling or licensing, also referred to as alternate channels of distribution, may include sales of goods and services in separate areas or concession departments within other non-restaurant locations and co-branded locations and by catalog, mail order, toll free telephone numbers, or electronic means, for example, via the Internet. See Item 12. We do not engage in any other business activity.

A Restaurant offers fast, casual fare, featuring charcoal pit cooked meats, BBQ and fish, in a variety of sandwiches and platters, and other related products utilizing our specialized recipes and techniques prepared with our proprietary recipes, designed to provide delight and enjoyment to our customers. Where permitted, upon your written request, we may authorize you to secure a license to sell alcohol. The System, as it relates to Restaurant franchises, includes a license to use the Marks and methods and procedures for the preparation and serving of both food and beverage items including, confidential recipes for food products and distinctive service accessories. Restaurants feature distinctive, standardized premises and a characteristic exterior style, color and design, interior and exterior features, furnishings, equipment and signage which, when coupled with a uniform operational method, provide for a enjoyable dining experience. You will also offer catering and delivery services.

The CHAPS PIT BEEF® franchise system is based on a single restaurant owned and operated by our affiliates, started by our co-founders, Bob Creager and Donna Creager, that opened in Baltimore, Maryland in August 1987, and is currently owned and operated by our affiliate, Chaps Pit Beef, Inc. The original Restaurant began as a 12 x15 shack, and has been added onto several times. We developed a modern prototype restaurant in order to expand the CHAPS PIT BEEF® franchise and offer franchises. A Restaurant operating under the mark CHAPS PIT BEEF® will resemble our affiliate-owned Restaurant located in Aberdeen, Maryland, that opened in June 2016. Our franchised CHAPS PIT BEEF® Restaurants will typically be between 1,200 to 1,500 square feet, but some locations may be a minimum of 750 square feet. We are beginning to offer an additional format of our Restaurant that will operate under the mark FAMOUS CHAPS PIT BEEF 1987™. The addition of “1987” to the mark is in reference to the year the original CHAPS PIT BEEF® restaurant opened. Restaurants operating under the FAMOUS CHAPS PIT BEEF 1987™ mark will typically be between 750 to 1,200 square feet but could be larger and will largely resemble CHAPS PIT BEEF® Restaurants. You will offer substantially the same menu from your Restaurant as the original Baltimore, Maryland location as featured in our affiliate’s Aberdeen prototype location except that a Restaurant operating under the FAMOUS CHAPS PIT BEEF 1987™ may offer a reduced menu.

We have never owned and operated Restaurants of the type to be operated by you as a franchisee. We began to offer franchises in March 2017 for the same type of business you will be operating. We have never offered or sold franchises in any other line of business and we have not operated in other lines of business. See Item 20 for more information about the numbers of franchised and company-owned and affiliate-owned Restaurants and our expansion plans.

Our affiliate Chaps Pit Beef, Inc. has owned and operated the Baltimore, Maryland original CHAPS PIT BEEF Restaurant since its incorporation in February 2009. From its opening in August 1987 until the formation of Chaps Pit Beef, Inc. in February 2009, the Baltimore Restaurant was owned and operated by our co-founders Bob Creager and Donna Creager under different forms of ownership. Neither Chaps Pit Beef, Inc. nor any of its predecessor ownership forms has ever offered or sold franchises for CHAPS PIT BEEF® Restaurants or FAMOUS CHAPS PIT BEEF 1987™ Restaurants or in any other line of business.

We offer franchises to qualified individuals for the operation of a Restaurant under our current standard franchise agreement (the “Franchise Agreement”), attached as **Exhibit B**. Your spouse must

sign as a franchisee even if your spouse will not be active in the business. The same Franchise Agreement is used whether the Restaurant will operate under the CHAPS PIT BEEF® mark or the FAMOUS CHAPS PIT BEEF 1987™ mark. The particular Restaurant will be operated under the CHAPS PIT BEEF® mark unless the FAMOUS CHAPS PIT BEEF 1987™ mark is designated in the Location and Designated Mark Addendum attached as **Exhibit 1** to the Franchise Agreement. We reserve the right to change the form and terms of the Franchise Agreement used in the future. Because we rely on your qualifications and require that you be present and personally involved in the operation of the Restaurant (see Item 15), we currently offer franchises only to United States citizens and lawful permanent residents, although we may waive the requirement in exceptional circumstances. We may obtain a background check (including credit and criminal) on you. You must authorize us to conduct the background check under our current form of franchise application or other writing if we request.

In addition to offering franchises for individual Restaurants, we offer multi-unit development agreements to persons who have the desire, financial strength and managerial capability to develop at least three Restaurants. Under a multi-unit development agreement, you agree to open a specified number of Restaurants within a defined geographic area in accordance with an agreed upon development schedule. The Restaurants may be developed under the CHAPS PIT BEEF® mark, the FAMOUS CHAPS PIT BEEF 1987™ mark or a combination of both, with the applicable mark to be designated under each Franchise Agreement. Each Restaurant requires the execution of a separate Franchise Agreement, which will be the Franchise Agreement then in effect at the time you sign it. The terms of the then-effective Franchise Agreement may differ from the previous Franchise Agreement you signed, except we will maintain the initial franchise fee, royalty and advertising expenditures at the same rate as your initial Franchise Agreement, if necessary. The form of multi-unit development agreement we currently offer is the Multi-Unit Development Agreement attached as **Exhibit C** (the “Multi-Unit Agreement”). We reserve the right to revise the form and terms of the Multi-Unit Agreement that we offer in the future.

We or an affiliate may offer for sale or lease a company-owned or affiliate-owned Restaurant or a Restaurant under construction or in the pre-construction phase as a franchise. The purchase price or rental for the Restaurant will vary depending upon a number of factors, including pre-opening hiring and marketing activities, whether the unit is under construction, the amount of construction already performed or the length of time the unit has been open and operating. You may not negotiate the lease agreement terms if you purchase one of these Restaurants.

The Market and Competition

The market for the products and services offered by Restaurants is highly developed and competitive. Restaurants offer products to the general public. People primarily between the ages of 18 to 65 purchase the menu items sold in Restaurants. You will compete with all other restaurants and food outlets in general. These other restaurants and food outlets include national chains which may be larger with better financial resources, and may be established longer with better name recognition, and also include franchisees and other CHAPS PIT BEEF® Restaurants and FAMOUS CHAPS PIT BEEF 1987™ Restaurants. Despite this competition, we believe that Restaurants will appeal to customers because of our specialized recipes and techniques. The business has seasonal peaks.

Government Regulation

You must comply with all local, state and federal laws applicable to restaurants, including zoning, licensing, health, sanitation, smoking, safety, fire, insecticides, use, storage and disposal of waste (including laws requiring recycling and regulating the use of certain types of containers and other materials potentially harmful to the environment) and other matters, food and safety regulations, “Truth in Menu” (concerning menu item names and product labeling), nutritional claims, calorie information.

Various federal and state agencies, including the U.S. Food and Drug Administration and the U.S. Department of Agriculture and state and local health and sanitation agencies have regulations related to the preparation of food and the condition of restaurant facilities. Federal, state and local environmental laws may affect the disposal of waste materials and packaging, and may require that you have a permit as a water provider. Local law may require your participation in a waste recycling or diversion program, for which you may have to register and make ongoing fee payments. Local zoning rules may limit where you can locate a restaurant and may affect design features, including the building facade and signs. If you sell liquor, you must comply with all local, state and federal laws applicable to sales of alcohol, including licensing, age of server, days and hours permitted, and age and impairment of customer. The details of state, county and local laws and regulations vary from place to place. You must research these matters.

Item 2

BUSINESS EXPERIENCE

Chief Executive Officer: Donna Creager

Donna Creager is our co-founder and has served as Chief Executive Officer of our entity Chaps Pit Beef Franchising LLC since our formation in January 2017. Donna has also served as President and Chief Executive Officer and a director of our affiliate Chaps Pit Beef, Inc., the entity that has operated the original Chaps Pit Beef Restaurant in Baltimore, since its incorporation in February 2009, and held similar positions with the Baltimore Restaurant under previous forms of ownership by our founders, since November 1987, several months after the Baltimore Restaurant opened. Donna has been Chief Executive Officer of our affiliate RCDC, LLC since the entity's formation in October 2015. RCDC, LLC developed and has operated the prototype CHAPS PIT BEEF Restaurant in Aberdeen, Maryland, beginning in June 2016.

Chief Operating Officer: Robert Creager

Robert Creager is our co-founder and has served as Chief Operating Officer of our entity Chaps Pit Beef Franchising LLC since our formation in January 2017. Bob has also served as Chief Operating Officer and a director of our affiliate Chaps Pit Beef, Inc., the entity that has operated the original Chaps Pit Beef Restaurant in Baltimore, since its incorporation in February 2009, and held similar positions with the Baltimore Restaurant under previous forms of ownership by our founders, since the Baltimore Restaurant opened in August 1987. Bob has been Chief Operating Officer of our affiliate RCDC, LLC that developed and has operated the prototype Chaps Pit Beef Restaurant in Aberdeen beginning in June 2016, since the entity's formation in October 2015.

Director of Brand Operations: Marvin Parker

Marvin Parker has served as Director of Brand Operations of our entity Chaps Pit Beef Franchising LLC since our formation in January 2017. Marvin has also served as General Manager of our affiliate Chaps Pit Beef, Inc. since June 2010.

Director of Operations: Natalie N. Rayner

Natalie Rayner has served as Director of Operations of our entity Chaps Pit Beef Franchising LLC and its affiliate Chaps Pit Beef, Inc. since June 2019. From December 2007 until August 2019 Natalie was Manager of Zales Jewelers in White Marsh, Maryland.

Director of Finance and Executive Assistant: Jennifer (Jeffrey) Conway

Jennifer (Jeffrey) Conway has served as Director of Finance of our entity Chaps Pit Beef Franchising LLC and its affiliate Chaps Pit Beef, Inc. since May 2019 and has served as Executive Assistant for both entities since May 2016. From May 2016 to May 2019 Jeff served as Human Resources Manager for both entities.

Consultant: John Moser

John Moser has been a consultant to our company since our formation in January 2017 and a consultant to our affiliate Chaps Pit Beef, Inc. since July 2015. John has been President of MBB Productions, LLC dba MBB Management, Moser Business Builder, Big Dog Entertainment & Productions in Mickleton, New Jersey since January 2008.

Consultant: Mark Ludes

Mark Ludes has been a consultant to our company since our formation in January 2017 and a consultant to our affiliate Chaps Pit Beef, Inc. since July 2015. Mark has been Executive Vice President of Brand Management and Hotel Operations of MBB Productions, LLC dba MBB Management, Moser Business Builder, Big Dog Entertainment & Productions in Mickleton, New Jersey since August 2014.

**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**

Franchise Agreement

You will pay an initial franchise fee of \$30,000 in a lump sum when you sign the Franchise Agreement, except that if you enter into a Multi-Unit Agreement to develop more than one Restaurant according to an agreed upon schedule, we reduce the initial franchise fee to \$20,000 for the second Restaurant and all other Restaurants you agree to develop under the Multi-Unit Agreement. If you develop Restaurants in addition to the number required under your development schedule, you will pay our then current initial franchise fee for each additional Restaurant. If you enter into a Multi-Unit Agreement, the Development Fee (discussed below) that you paid for a particular Restaurant will be credited against the initial franchise fee payable at the time you sign the Franchise Agreement for the particular Restaurant, and the balance, if any, will be due at the same time. Initial franchise fees are fully earned by us when paid and are not refundable under any circumstances except as provided below.

If you do not find a suitable location for your Restaurant that we approve within 90 days of the signing of the Franchise Agreement and then secure an acceptable site by purchase or lease within 180 days of the signing of the Franchise Agreement, we can either extend the time for you to secure a location or elect to terminate the Franchise Agreement and refund your initial franchise fee, less \$15,000 for our legal and administrative expenses and the processing of your application, if you sign our form of release of claims. If we do not elect to terminate, you must comply with the development obligations in the

Franchise Agreement and we will not refund any amount even if we terminate for failure to open your Restaurant within the time required. The Transfer and Release Agreement attached as **Exhibit H** to this disclosure document contains a sample form of general release language that would be acceptable to us in connection with a termination of the Franchise Agreement, your entering into a subsequent term or transfer of the franchise, or other event when we require you to deliver a general release to us.

We will send up to four representatives to the Restaurant at no fee to you for up to two days immediately prior to the opening of the Restaurant and up to another two days including the day of and after opening, to assist you in operating and marketing the Restaurant. If your Restaurant is outside a 60 mile radius from our affiliate's Aberdeen, Maryland Restaurant, you will reimburse us for our representatives' travel, lodging, meals. If your Restaurant is outside the 60 mile radius, we estimate the cost of travel, lodging and meals will range between \$350 to \$1,200 if your Restaurant is within driving distance (approximately up to 225 miles from Aberdeen, Maryland) and between \$700 to \$4,500 if our representatives must fly and travel to your Restaurant. The charge for the cost of travel, lodging and meals is payable at least 10 days before the opening of the Restaurant, is not refundable under any circumstances and will vary depending on your Restaurant's distance from our affiliate's Aberdeen, Maryland Restaurant and travel and food costs at the time.

Multi-Unit Agreement

If you desire to develop more than one Restaurant according to an agreed upon schedule, whether the Restaurants will operate under the CHAPS PIT BEEF® mark or the FAMOUS CHAPS PIT BEEF 1987™ mark or a combination, and you qualify, you may enter into a Multi-Unit Agreement. Multi-Unit Agreements require a development fee (the "Development Fee"), equal to \$30,000 for the first Restaurant plus \$10,000 multiplied by the number of additional Restaurants that you must open, after the first. You must develop at least three Restaurants under a Multi-Unit Agreement. As noted above in this Item 5, we reduce the initial franchise fee from \$30,000 to \$20,000 for the second Restaurant and all other Restaurants you agree to develop under the Multi-Unit Agreement. We will credit the amount of the Development Fee you actually paid for a particular Restaurant as a deposit against the initial franchise fee that is payable when you sign the Franchise Agreement for the particular Restaurant. The entire Development Fee is payable at the time the Multi-Unit Agreement is signed. We do not refund the Development Fee under any circumstances.

* * * *

The fees listed in this Item 5, and the offer of a reduced initial franchise fee for agreeing to develop more than one Restaurant under a Multi-Unit Agreement, are uniform for all prospective franchisees. We did not negotiate any initial fees during the last fiscal year. We reserve the right to negotiate alternative fee arrangements with institutional franchisees, franchisees in unique locations and franchisees who agree to develop a large number of Restaurants under a Multi-Unit Agreement.

You will bear the cost of and must pay any sales tax, use tax, gross receipts tax, excise tax, or other similar tax on your payments to us. We may collect these taxes from you for transmittal to the taxing authority. You will reimburse us for any taxes we must pay directly to any taxing authority.

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**Item 6
OTHER FEES**

OTHER FEES

FRANCHISE AGREEMENT:

Type of Fee (1)	Amount	Due Date	Remarks
Royalty Fee	6% of weekly Gross Sales	Every Tuesday for the preceding week's business paid by electronic funds transfer (EFT) (2)	"Gross Sales" are defined as the aggregate amount of all revenues from whatever source derived (whether in the form of cash, credit, agreements to pay, or other consideration including the actual value of any goods or services traded, bartered or otherwise received by you in exchange for any form of non-monetary consideration, and whether or not payment is received at the time of sale) which arise from or are derived by you or by any other person from business conducted or which originated in, on, from, or through the Restaurant, whether the business is conducted in compliance with or in violation of the Franchise Agreement, and whether from dine-in, take-out catering, delivery and fulfillment of orders from any and all on-line ordering sources. Gross Sales do not include rebates or refunds actually paid to customers, or sums attributable to sales, transaction privilege, excise or similar taxes based upon sales, actually collected from customers or otherwise and actually paid to taxing authorities. Any vending income is added to Gross Sales. Gross Sales includes all revenues from the sale of alcohol if we permit you to sell alcohol upon your written request, except if a state or local law prohibits or restricts your ability to pay and our ability to collect the Royalty Fee, the Advertising Fund Contribution or other amounts based on Gross Sales derived from the sale of alcoholic beverages at the Restaurant. In the case of an applicable state or local law prohibition, then we and you will renegotiate the Royalty Fee and the Advertising Contribution and other provisions to provide the same basic economic effect to both parties as

Type of Fee (1)	Amount	Due Date	Remarks
			otherwise provided in the Franchise Agreement, with a corresponding change to the definition of Gross Sales. See an example of a renegotiated Royalty Fee, Advertising Contribution and change to the Gross Sales definition that may be acceptable in Delaware in Exhibit N .
Advertising Fund Contribution	1% of weekly Gross Sales	Every Tuesday for the preceding week's business paid by electronic funds transfer (EFT) (2)	You will contribute 1% of weekly Gross Sales to the Advertising Fund at the same time and collected in the same manner as the Royalty Fee, subject to renegotiation of the rate and definition of Gross Sales, as described above concerning the Royalty Fee, if we permit you to sell alcohol upon your written request and an applicable state or local law prohibits or restricts payment and collection of the Advertising Fund Contribution based on Gross Sales derived from the sale of alcoholic beverages. You must participate in the Advertising Fund. The Advertising Fund is described in Item 11.
Pre-Opening Marketing Promotion	\$2,500 – \$5,000 minimum, as we determine, based upon your Restaurant and its location	As incurred	You will conduct a pre-opening marketing promotion leading up to and immediately following the opening of your Restaurant. Costs of the promotion are paid to third party vendors.
System-wide Promotion Expenses	The cost of the promotion	As incurred	You will participate in any System-wide promotion as we direct, use displays and promotional materials authorized by us in connection with the promotion and coordinate your participation with us and other licensees and franchisees of ours as we may direct, at your expense. Costs of the promotion are paid to third party vendors.
Local Advertising, Marketing and Promotion Expenses	Actual costs	As incurred	You must aggressively, advertise and promote your Restaurant on a local basis. Costs are paid to third party vendors.

Type of Fee (1)	Amount	Due Date	Remarks
Technology Update Fee	Our then current fee; our current fee is \$100 per month	As invoiced (2)	We may charge you a fee to maintain our intranet communications, email system, online ordering and e-commerce programs and other technology systems up-to-date.
Computer System Updates	Actual costs	As incurred	You must maintain the Restaurant's computer system in good working order at all times, and upgrade or update the computer system as we may require. There are no contractual limitations on the frequency and cost of your obligation to comply with our changes. Costs are paid to third party vendors, us or our affiliates.
Insurance; Insurance Reimbursement	Policy cost plus reasonable fee for our expenses if we obtain insurance	As incurred	You must obtain and maintain the insurance coverage we specify or required by applicable law, any lender or your landlord. If you do not obtain the required insurance coverage, we have the option but are not required to secure coverage for you. If we exercise the option to purchase coverage we will charge you for our costs and expenses plus a reasonable fee for our time, effort and resources. We estimate the cost of insurance to be approximately \$3,000 to \$9,000 per year. However, the cost of insurance may vary substantially depending upon the size and location of the Restaurant, number of employees, number of vehicles and other factors. We reserve the right to increase insurance coverage amounts or require additional insurance which may affect your premiums.

Type of Fee (1)	Amount	Due Date	Remarks
Additional Initial Training Program	Our then current applicable initial training program fee (currently \$1,500 per additional or replacement person attending training, plus \$500 per person for inventory used at training for initial franchisee (Operating Partner), General Manager and Pit Master initial training)	One week before commencement of the initial training program	We will provide the initial franchisee (Operating Partner), General Manager, Kitchen Manager, and Pit Master initial training programs to an aggregate of up to four individuals with no additional fee. The additional applicable initial training program fee is payable if you enroll additional individuals in our initial training program, including if an individual must repeat the initial training program or we must provide initial training to replacement or additional individuals. You will also have to pay your expenses and your, your equity owners' and your employees' expenses to attend (including travel expenses, lodging, meals and incidental costs).
Additional Training Fee	Our then current additional training fee (currently \$750 per person per day)	One week before commencement of the initial training program if scheduled in advance, otherwise when the service or assistance begins	If we determine that you, your Operating Partner, or your General Manager(s), Kitchen Manager or Pit Master need to correct performance issues, we may require additional training. We may also make other training programs available as we deem appropriate. You will also have to pay your expenses and your, your equity owners' and your employees' expenses to attend (including travel expenses, lodging, meals and incidental costs).
Conference/ Continuing Education	\$250 to \$1,500 per attendee, and you must pay your and your employees' expenses (including travel expenses, room and board), if any	Prior to event	We reserve the right to offer and make mandatory additional, ongoing and supplemental training programs, which we may present live (whether in person or via electronic media). We may organize mandatory and/or optional Franchisee Conferences or Continuing Education events. You, your equity owners and any supervisory employees or Pit Master we specify must attend. We may charge a fee for each person attending, and you must pay for all travel, lodging, meals and incidental costs for yourself and any of your equity owners and employees.
Additional Operations Assistance and Guidance	\$750 per day per representative, plus travel expenses, lodging, meals and incidental costs	Upon receipt of services	We will provide representative(s) to assist you at your request, subject to availability, or if you request additional guidance in connection with our representatives' routine evaluations.

Type of Fee (1)	Amount	Due Date	Remarks
Enhanced Additional Operations Assistance and Guidance	\$1,000 per day per representative, plus travel expenses, lodging, meals and incidental costs	Upon receipt of services	If you fail to correct a deficiency within 7 days after we give you notice or sooner if required by law or otherwise in the Franchise Agreement, or if you fail to begin corrective action within 5 days of our notice in the case of any correction which you cannot reasonably make within 7 days or you begin but fail to diligently pursue and complete the correction, whether or not you requested the additional guidance and assistance described above, we have the right, but not the obligation, to provide an enhanced level of additional guidance and assistance to you.
Late payment interest	Lesser of 1.5% per month or maximum rate permitted by law	Upon demand	Payable if any payment is not received when due.
Insufficient Funds Fees and Other Financial Institution Charges	The greater of \$30 or the amount imposed by the financial institution	As incurred	You must pay us the greater of \$30 or the fee imposed by any financial institution for any returned, stop payment, insufficient funds or similar unsuccessful payment.
Replacement Manual or Access to Manual	Our then current replacement fee or electronic access fee; we do not currently charge a fee, but we may do so in the future	As incurred	We reserve the right to charge a fee if you request a replacement copy of physical portions of the Manual or replacement access to electronic portions of the Manual.
Successor Franchise Agreement Fee	\$2,500	Upon execution of successor Franchise Agreement	There are other conditions for a successor franchise agreement. See Item 17.
Transfer Fee	\$2,500	Before transfer occurs	As more fully described in Item 17, you may transfer the franchise, including the Franchise Agreement and the Restaurant, or ownership in the entity holding the franchise, to a new owner with our written consent. The transfer fee is payable by the seller to cover our reasonable legal and accounting fees, credit and investigative charges, travel, administrative and other expenses.
Transfer Sales Commission	6% of the gross sale price when applicable	Before transfer occurs	If we produce the transferee, including an existing franchisee or manager, you will pay us a sales commission. See Item 17.

Type of Fee (1)	Amount	Due Date	Remarks
Transfer Training Fee	Our then current initial training program fee (currently \$1,500 per person attending training)	Before transfer occurs	If you transfer your Restaurant, in addition to the transfer fee and any transfer sales commission, the transferee and the transferee's equity owners and employees must satisfy our requirements for initial franchisee (Operating Partner), General Manager, Kitchen Manager and Pit Master initial training, and the transferee will pay our then current initial training program fee for each individual attending training, and will also have to pay the expenses of its equity owners and employees to attend (including travel expenses, lodging, meals and incidental costs).
Optional Website Marketing Fee	Our then current fee; our current fee is \$50 per month	As incurred (2)	At your option, we will market your franchise on our website.
Alternative Supplier Review Fee	A reasonable fee equal to our costs to evaluate the product and the supplier	When billed	Covers cost of testing new products or inspecting new suppliers you propose.
Audit Expenses	Actual cost of audit or inspection, including the charges of any independent accountant and the travel expenses, room/board, and compensation of audit or inspection team	Upon demand	Payable if the audit is necessary because you fail to furnish required reports or if the audit shows an underreporting of Gross Sales of 2% or more. You will also pay us the amount of underpaid Royalty Fee and Advertising Contributions disclosed by the audit or investigation, plus interest.
Indemnification	Amount of loss or damages plus cost and expenses we incurred	As incurred	You must indemnify us, our affiliates and our/their respective officers, directors, managers, members, partners, shareholders, employees and independent contractors against all claims arising from your ownership or operation of your Restaurant, as well as all costs, including reasonable attorneys' fees, of defending against them.
Mediation Expenses	Your own costs, including attorneys' fees, and one half of the mediation fee	As incurred	Payable to your advisors and the mediation service. With certain exceptions, we and you will mediate any disputes before filing for arbitration. Each party will bear its own costs and will share the cost of the mediation fee equally.

Type of Fee (1)	Amount	Due Date	Remarks
Litigation and Arbitration Costs	Our attorneys' fees, arbitration or court costs, expert fees and litigation expenses; will vary under circumstances	As incurred	You are responsible for our costs and attorneys' fees if we incur them in any proceeding, including all legal and other costs associated with any defaults, and/or in which we prevail or if we have to obtain an injunction against you.
Sales Taxes	Amount of taxes	As incurred	If any taxing authority imposes any sales, gross receipts or other tax, levy or assessment on any payments you make to us, you must pay the amount assessed, or reimburse us if we must pay it directly.
Financial Statement Review Expenses	Your accountant's fees for reviewing your annual financial statements	As incurred	Payable to your certified public accountant. You must provide us with annual financial statements signed and verified by you and accompanied by a review of a certified public accountant.
De-Identify Premises; Cancellation of Telephone and other Services	Costs plus reasonable administrative fee	As incurred	If you don't de-identify the premises of your Restaurant following the closure of the Restaurant or expiration or termination of the Franchise Agreement, we may re-enter the premises and do so at your expense and charge you a fee. You must also cancel, all telephone, facsimile, Internet numbers, domain names and e-mail addresses which serve your Restaurant, at your expense.
Repairs, Updates and Remodeling to Restaurant	As specified	As incurred	Payable to your suppliers. You will make repairs and updates to your Restaurant and pay all reasonable, required costs within reasonable time periods we establish. You will remodel and make all improvements and alterations to reflect our then-current specifications, standards, format, image, and appearance. You will make repairs and updates as needed and remodel at our request, but not more than once every five years if not associated with a successor franchise agreement or assignment; payable as incurred
Construction Review Fee	A reasonable fee	As incurred	If you relocate, expand or materially alter the Restaurant premises, we must review and approve your plans and may charge you a fee.

Type of Fee (1)	Amount	Due Date	Remarks
Site Visit Costs	Our costs	As incurred	You will reimburse the actual costs we incur in connection with any site visit we make at your request or we believe is necessary to evaluate a proposed site for your Restaurant, including travel, lodging, meals and incidental costs for each employee, representative or agent performing the on-site evaluation.

Notes:

- (1) All fees are imposed by and payable to us unless specifically noted. All fees are non-refundable unless specifically noted; prepaid insurance premiums may be refundable. The fees listed in this Item 6 are uniform for all prospective franchisees.
- (2) Before your Restaurant opens, you must sign and deliver to us the documents we require to authorize us to debit your business checking account automatically for the Royalty Fee payments and Advertising Fund Contributions (see **Exhibit 2** to Franchise Agreement). We will debit the account for these amounts on their due dates. Funds must be available for withdrawal. We may require payment other than by automatic debit, and you must comply with our payment instructions.

If you do not report the Restaurant's Gross Sales, we may debit your account for 120% of the last Royalty Fee payment and Advertising Fund Contribution that we debited. If the amounts we debit are less than the amounts you actually owe us, we will debit your account for the balance on the day we specify. If the amounts we debit are greater than the amounts you actually owe us, we will credit the excess against the amounts that we otherwise would debit from your account during the following week.

MULTI-UNIT DEVELOPMENT AGREEMENT:

Type of Fee (1)	Amount	Due Date	Remarks
Transfer Fee	\$2,500	Before transfer occurs	As more fully described in Item 17, you may transfer the Multi-Unit Development Agreement, together with the Franchise Agreements and the Restaurants, or ownership in the entity holding the development rights and franchises, to a new owner, with our written consent. You will pay a separate transfer to cover our reasonable legal and accounting fees, credit and investigative charges, travel, administrative and other expenses incurred with respect to the Multi-Unit Development Agreement.

Type of Fee (1)	Amount	Due Date	Remarks
Transfer Sales Commission	6% of the gross sale price allocated to the Multi-Unit Development Agreement or development rights, when applicable	Before transfer occurs	If we produce the transferee, including an existing franchisee or manager, you will pay us a sales commission. See Item 17.
Indemnification	Amount of loss or damages plus cost and expenses we incurred	As incurred	You must indemnify us, our affiliates and our/their respective officers, directors, managers, members, partners, shareholders, employees and independent contractors against all claims arising from your ownership or operation of your Restaurant, as well as all costs, including reasonable attorneys' fees, of defending against them.
Mediation Expenses	Your own costs, including attorneys' fees, and one half of the mediation fee	As incurred	Payable to your advisors and the mediation service. With certain exceptions, we and you will mediate any disputes before filing for arbitration. Each party will bear its own costs and will share the cost of the mediation fee equally.
Litigation and Arbitration Costs	Our attorneys' fees, arbitration or court costs, expert fees and litigation expenses; will vary under circumstances	As incurred	You are responsible for our costs and attorneys' fees if we incur them in any proceeding, including all legal and other costs associated with any defaults, and/or in which we prevail or if we have to obtain an injunction against you.
Sales Taxes	Amount of taxes	As incurred	If any taxing authority imposes any sales, gross receipts or other tax, levy or assessment on any payments you make to us, you must pay the amount assessed, or reimburse us if we must pay it directly.
Replacement Manual or Access to Manual	Our then current replacement fee or electronic access fee; we do not currently charge a fee, but we may do so in the future	As incurred	We reserve the right to charge a fee if you request a replacement copy of physical portions of the Manual or replacement access to electronic portions of the Manual.

Type of Fee (1)	Amount	Due Date	Remarks
Site Visit Costs	Our costs	As incurred	You will reimburse the actual costs we incur in connection with any site visit we make at your request or we believe is necessary to evaluate a proposed site for your Restaurant, including travel, lodging, meals and incidental costs for each employee, representative or agent performing the on-site evaluation.

Notes:

- (1) All fees are imposed by and payable to us unless specifically noted. All fees are non-refundable unless specifically noted. The fees listed in this Item 6 are uniform for all prospective developers.

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Item 7
ESTIMATED FRANCHISE INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

FRANCHISE AGREEMENT (No Alcohol Offered):

Type of Expenditure	Amount (Low/High)		Method of Payment	When Due	To Whom Payment is to be Made
Franchise Fee ¹	\$30,000	\$30,000	Lump Sum	Upon signing Franchise Agreement	Us
Real Property Security Deposit ²	\$5,000	\$15,000	As Arranged	Before Opening	Landlord
Construction and Leasehold Improvements ³	\$50,000	\$250,000	As Arranged	Before Opening	Landlord or Vendors
Furnishings ⁴	\$12,000	\$35,000	As Arranged	Before Opening	Vendors
Fixtures ⁴	\$12,000	\$15,000	As Arranged	Before Opening	Vendors
Equipment ⁴	\$25,000	\$175,000	As Arranged	Before Opening	Vendors
Computer System ⁴	\$12,000	\$25,000	As Arranged	Before Opening	Vendors
Signs ⁵	\$5,000	\$20,000	As Arranged	Before Opening	Vendors
Initial Inventory ⁶	\$35,000	\$50,000	As Arranged	Before Opening	Vendors
Professional Fees	\$5,000	\$15,000	As incurred	As Arranged	Attorney, accountant, architect
Licenses, Permits and Fees ⁷	\$500	\$2,500	As Arranged	Before Opening	Third Parties
Utility Deposits and Fees ⁹	\$1,500	\$3,500	As Arranged	Before Opening	Utilities
Insurance ¹⁰	\$3,000	\$9,000	As Arranged	Before Opening	Third Parties
Travel and Living Expenses While Training ¹¹	\$1,800	\$15,000	As incurred	As incurred	Third Parties
Opening Assistance Travel ¹²	\$0	\$4,000	Lump Sum	Before Opening	Us
Pre-Opening Marketing Promotion ¹³	\$2,500	\$5,000	As Arranged	Before Opening	Third Parties
Additional Funds – 3 mos. ¹⁴	\$135,000	\$150,000	As Arranged	As incurred	Third Parties
Total ¹⁶	\$335,300	\$819,000	No Alcohol Offered		

FRANCHISE AGREEMENT (Alcohol Offered):

Type of Expenditure	Amount (Low/High)		Method of Payment	When Due	To Whom Payment is to be Made
Franchise Fee ¹	\$30,000	\$30,000	Lump Sum	Upon signing Franchise Agreement	Us
Real Property Security Deposit ²	\$5,000	\$15,000	As Arranged	Before Opening	Landlord
Construction and Leasehold Improvements ³	\$50,000	\$250,000	As Arranged	Before Opening	Landlord or Vendors
Furnishings ⁴	\$12,000	\$35,000	As Arranged	Before Opening	Vendors
Fixtures ⁴	\$12,000	\$15,000	As Arranged	Before Opening	Vendors
Equipment ⁴	\$30,000	\$175,000	As Arranged	Before Opening	Vendors
Computer System ⁴	\$12,000	\$25,000	As Arranged	Before Opening	Vendors
Signs ⁵	\$5,000	\$20,000	As Arranged	Before Opening	Vendors
Initial Inventory ⁶	\$40,000	\$60,000	As Arranged	Before Opening	Vendors
Professional Fees	\$5,000	\$15,000	As incurred	As Arranged	Attorney, accountant, architect
Licenses, Permits and Fees ⁷	\$500	\$2,500	As Arranged	Before Opening	Third Parties
Liquor License ⁸	\$3,000	\$1,000,000	As Arranged	Before Opening	Third Parties/ Government Authorities
Utility Deposits and Fees ⁹	\$1,500	\$3,500	As Arranged	Before Opening	Utilities
Insurance ¹⁰	\$3,300	\$10,000	As Arranged	Before Opening	Third Parties
Travel and Living Expenses While Training ¹¹	\$1,800	\$15,000	As incurred	As incurred	Third Parties
Opening Assistance Travel ¹²	\$0	\$4,000	Lump Sum	Before Opening	Us
Pre-Opening Marketing Promotion ¹³	\$2,500	\$5,000	As Arranged	Before Opening	Third Parties
Additional Funds – 3 mos. ¹⁴	\$142,000	\$164,000	As Arranged	As incurred	Third Parties
Total ¹⁶	\$355,600	\$1,844,000	Alcohol Offered		

Except as specifically described in the explanatory notes below, all costs are non-refundable.

The above estimates, ranging from \$335,300 to \$819,000 for No Alcohol Offered Restaurants, and \$355,600 to \$1,844,000 for Alcohol Offered Restaurants, do not include any sales tax, use tax, gross receipts tax, excise tax, or other similar tax or freight and delivery charges. You will be responsible for payment of these amounts.

NOTES:

- (1) *Franchise Fee.* Non-refundable, except as described in Item 5. You will pay an initial franchise fee of \$30,000 in a lump sum when you sign the Franchise Agreement, except that if you agree to develop at least three Restaurants under a Multi-Unit Agreement according to an agreed-upon schedule, you will pay a reduced initial franchise fee of \$20,000 for each additional Restaurant after the first. If you enter into a Multi-Unit Agreement, you will pay a development fee at the time you sign the Multi-Unit Agreement. We will credit the amount of the development fee you actually paid for a particular Franchise Agreement (in the amount of the initial franchise fee of \$30,000 for the first Restaurant and \$10,000 for each of the remaining Restaurants to be developed), as a deposit against the initial franchise fee payable for the particular Franchise Agreement. You will pay any balance due for the particular Restaurant when you sign the Franchise Agreement.
- (2) *Real Property Security Deposit.* If you do not own a building appropriate for the Restaurant, you must lease or purchase a site. Typical sites for a Restaurant are a building of 1,200 to 1,500 square feet, in a strip shopping center, shopping center or urban downtown location. We may authorize a Restaurant as small as 750 square feet. Our estimates in the above table are based on leasing a typical site between 1,200 and 1,500 square feet. Rent is estimated to be in the range of \$5,000 to \$7,500 per month, depending on factors such as size, condition, and location of the leased premises. Your rent could be higher, particularly if your Restaurant is in a major urban area. The security deposit estimate assumes one month's rent at \$5,000 as the low estimate and two months' rent at \$7,500 as the high estimate. You may also have to pay rent prior to the opening of your Restaurant depending on your arrangement with your landlord. Landlords may give a period of free rent as an allowance for permitting and construction, but the free rent period may not be long enough to cover the whole time prior to the opening of your Restaurant. You must be prepared to pay rent, not included in the above table, while the Restaurant is unopened, if construction goes beyond the free rent period. Rent and/or the security deposit may be refundable if they are agreed to within the terms of the lease. You may have to sign a personal guaranty for the lease. If you purchase the land and the building, your cost will be substantially higher, and will vary depending on the market for real estate in your area.
- (3) *Construction and Leasehold Improvements.* You must construct the Restaurant according to our plans, specifications and trade dress and in the manner we prescribe. The cost of construction and leasehold improvements will vary depending upon the size of the Restaurant you lease, the location, local wage rates, union/non-union labor requirements, and the cost of the materials. The landlord may provide a build-out allowance that could cover all or a portion of the leasehold improvements. Leasehold improvements include electrical, plumbing, air conditioning, grease traps, heating, ventilation, hoods, flooring, walls, toilets and cabinetry. Additional expenses might include impact fees and other government imposed fees.
- (4) *Furnishings, Fixtures, Equipment, Computer System.* You must equip, decorate and furnish the Restaurant according to our plans, specifications and trade dress and in the manner we prescribe. If we permit you to sell alcohol upon your written request, the estimate includes additional equipment.
- (5) *Signs.* Sign requirements and cost vary by location. A review of zoning regulations, landlord specifications, and building architecture will dictate what type of signs are possible.
- (6) *Initial Inventory.* Initial inventory includes all food, beverages and paper related items associated with opening the Restaurant, and also food used for training staff. If we permit you to sell alcohol upon your written request, initial inventory also includes alcohol.

- (7) *Licenses, Permits and Fees.* Includes building permits, occupational licenses, government fees, and other fees.
- (8) *Liquor License.* Where permitted, upon your written request, we may authorize you to secure a license to sell alcohol. The cost of a liquor license will vary greatly, from as little as several thousand dollars to as much as \$1 million or more. The cost could be substantial.
- (9) *Utility Deposits and Fees.* Utility deposits may be refunded under the conditions specified in the applicable agreement.
- (10) *Insurance.* You must purchase the type and amount of insurance we specify in the Franchise Agreement, the Manual, or otherwise, in addition to any other insurance that may be required by applicable law, any lender or your landlord. The estimate is the annual premium and will be payable before you open for business. Whether all or a portion of the premium may be refunded will vary depending upon the policies of the individual insurance provider. The estimate includes liquor liability insurance if we permit you to sell alcohol upon your written request.
- (11) *Travel and Living Expenses While Training.* You must arrange transportation and pay for meals and lodging for any persons attending the initial training programs. The cost will depend on the distance the trainee must travel and the type of accommodations you choose. The estimates are based on the expenses of up to four persons requiring travel, food and lodging.
- (12) *Opening Assistance Travel.* We will send up to four representatives to the Restaurant at no fee to you for up to two days immediately prior to the opening of the Restaurant and up to another two days including the day of and after opening, to assist you in operating and marketing the Restaurant. If your Restaurant is outside a 60 mile radius from our affiliate's Aberdeen, Maryland Restaurant, you will reimburse us for our representatives' travel, lodging, meals. If your Restaurant is outside the 60 mile radius, we estimate the cost of travel, lodging and meals will range between \$350 to \$1,200 if your Restaurant is within driving distance (approximately up to 225 miles from Aberdeen, Maryland) and between \$700 to \$4,500 if our representatives must fly and travel to your Restaurant.
- (13) *Pre-Opening Marketing Promotion.* You must spend a minimum of \$2,500, or a greater minimum amount up to \$5,000, that we determine, based upon your Restaurant and its location. You may spend more than the minimum we require. Pre-opening marketing campaign promotional activities typically include advertising, direct mail, press party, on-site celebrity visits, radio broadcasts, cable TV, tents, decorations, and free food, in addition to a grand opening celebration, events, social media and Internet marketing.
- (14) *Additional Funds – 3 months.* This item estimates your expenses during the initial 3 month period of operation of your Restaurant, including payroll costs, rent, food, beverage and utility costs. We do not include any estimate for your actual Royalty Fee and Advertising Fund Contribution payments, as we do not estimate any amount of gross sales (from which these fees and payments would be calculated). This estimate does not provide for an owner's draw. You must have additional monies available, whether in cash or through a line of credit, or have other assets which you may liquidate or borrow against, to cover your personal living expenses and any operating losses sustained during the start up and development stage of the franchise business. The amount of necessary reserves will vary greatly from franchisee to franchisee depending upon many factors including your personal requirements, the gross sales and success of the business, which will be affected by how much you follow our methods and procedures, your management skill, experience and business acumen, local economic conditions, the local market for our menu items, the prevailing wage rate, sales level reached during the initial period and overall competition.

- (15) We have prepared these estimates based on our affiliates' over 34 years of experience operating the Baltimore, Maryland CHAPS PIT BEEF® Restaurant since August 1987 and experience constructing and over five years of experience operating, since June 2016, the Aberdeen, Maryland prototype CHAPS PIT BEEF® Restaurant, to compile these estimates. We have also prepared these estimates based on our over five years of experience as a franchisor. We do not require that you purchase or lease delivery cars to perform delivery and catering services and we do not include the cost of any delivery vehicle in these estimates. You may rely on employee-owned vehicles.

Except as expressly indicated otherwise, these estimates cover your initial cash investment up to opening your Restaurant for business and the first three months of operation. The above estimates do not take into consideration any revenue derived during the first three months of operation, which could offset costs. They do not provide for your cash needs to cover any financing you incur or your other business and personal expenses. You should not plan to draw income from the operation during the start-up and development stage of your business, the actual duration of which will vary materially from franchise to franchise and which we cannot predict for you (and which may extend for longer than the three month initial period). You must have additional sums available, whether in cash or through a bank line of credit, or have other assets which you may liquidate or against which you may borrow, to cover other expenses and any operating losses you may sustain, whether during your start-up and development stage, or beyond. The amount of necessary reserves will vary and will depend upon many factors, including the rate of growth and success of your business, which in turn will depend upon factors such as the demographics and economic conditions in the Protected Area, the presence of other Restaurants or other public awareness of our business and trademarks within the general vicinity of your Restaurant, your ability to operate efficiently and in conformance with our recommended methods of doing business, and competition. Because the exact amount required for reserves will vary from operation to operation and cannot be meaningfully estimated by us, we urge you to retain the services of an experienced accountant or financial advisor to develop a business plan and financial projections for your particular operation. Because these figures are only estimates of the investment in setting up a Restaurant, it is possible that the actual costs may vary significantly.

We do not offer, either directly or indirectly, financing for any portion of your initial investment.

MULTI-UNIT AGREEMENT:

(Benchmark: 3 Restaurants)

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Multi-Unit Development Fee (1)	\$50,000	Cash	Upon execution of Multi-Unit Agreement	Us
Total (2)	\$50,000			

All costs are non-refundable. The above estimates do not include any sales tax, use tax, gross receipts tax, excise tax, or other similar tax. You will be responsible for payment of these amounts.

NOTES:

- (1) *Multi-Unit Development Fee.* If you sign a Multi-Unit Agreement, then, you must pay the development fee for the first Restaurant to be developed, equal in amount to \$30,000, the initial franchise fee for the first Restaurant to be developed, plus the development fee of \$10,000 for each of the remaining Restaurants to be developed. The development fee is 100% of the initial

franchise fee of \$30,000 for the first Restaurant, and 50% of the reduced initial franchise fee of \$20,000 for the second and each additional Restaurant you agree to develop under the Multi-Unit Agreement. Except for these fees, no additional investment is required to begin operating under the Multi-Unit Agreement. You must develop at least three Restaurants under a Multi-Unit Agreement. The estimate is based on development of the minimum number of three Restaurants. If you agree to develop more Restaurants under the Multi-Unit Agreement, the development fee will be greater. We will credit the amount of the development fee you actually paid for a particular Franchise Agreement as a deposit against the initial franchise fee payable for the particular Franchise Agreement. You will pay any balance due for the particular Restaurant when you sign the Franchise Agreement.

- (2) We do not offer, either directly or indirectly, financing for any portion of your initial investment.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Significant time, effort and funds have been spent to develop the System. The distinctive characteristics of the System include, among other items, the Marks, distinctive exterior and interior design, décor, color and identification schemes and furnishings, specifically designed furniture and fixtures, special menu items, standards, specifications and procedures for operations, quality of products and services offered, and training and assistance. You must conform to our high and uniform standards pertaining to construction, quality, safety, cleanliness, appearance and service. You must operate your Restaurant in strict conformity with the methods, standards and specifications we provide. You may not deviate from our standards and specifications by using or offering nonconforming products or differing amounts of any products or non-conforming or different services, without obtaining our prior written consent. You must sell and offer for sale only those services and products which we have expressly approved for sale in writing. This is important to you, other franchisees and to the System as a whole. We anticipate that our standards will change over time and you are expected to adhere to those changes.

We will loan and/or give you access to our confidential Brand Standards Manual (the “Manual”). The Manual is a compilation of manuals, books, binders, videos or other electronic media, Intranet postings and other materials containing operating data, specifications, standards, operating procedures, checklists, equipment, services and other information covering the proper operating and marketing techniques for the establishment and operation of a Restaurant to protect the Marks, copyrights or trade names, or improve the quality of the product or service provided by the Restaurants. The specifications, standards and operating procedures do not include any personnel policies or procedures that we may, at our option, make available to you in the Manual or other written communication. You may, in your sole judgment, determine to what extent, if any, any such personnel policies or procedures might apply to the Franchised Restaurant. When we say we will provide “written” communication or a notice or information (including the Manual) to you “in writing” we may or may not provide you with a paper (“hard copy”) form of the information. We may choose to provide the communication or notice only through electronic communication or posting to our website(s). The Manual will contain mandatory and suggested operating, accounting and reporting procedures, as well as quality standards for services, procedures, and recipes prescribed from time to time by us for Restaurant operations, and you agree to comply with the mandatory items. All information in the Manual is confidential and proprietary and constitutes trade secrets. You will adhere to quality control standards in the Manual or elsewhere with respect to the character or quality of the products you sell or the services you perform in association with the Marks.

Except as described below, you are not required by the Franchise Agreement, the Multi-Unit Agreement or any other device or practice to purchase or lease products or services (1) from us or our affiliates or other suppliers we have designated or approved, (2) that meet our specifications, or (3) that we have the right to approve (collectively “source-restricted purchases”). We may vary the standards and specifications to take into account unique features of specific locations or types of locations, special

requirements and other factors we consider relevant. If you purchase a franchise to operate a Restaurant, you can expect that your source restricted purchases will represent approximately 70%-80% of your initial investment and between 50%-60% of your overall purchases during the operation of the franchise business.

Required Purchases Meeting Specifications

We and you designate the area in which your Restaurant must be located. We must approve in writing your selection of the site for your Restaurant within that designated area. You must obtain our approval to the proposed location within 90 days and lease or purchase the premises of your Restaurant within 180 days after you and we sign the Franchise Agreement. The Franchise Agreement gives us the right to approve the terms of the lease or occupancy agreement for the premises of the Restaurant. You may not execute a lease or other occupancy agreement without our advance approval of the location and the terms of the lease or occupancy agreement. We may require that your lease contain or you sign a separate collateral assignment of lease and the landlord sign a consent and agreement of lessor in a form acceptable to us. The form of Collateral Assignment of Lease including the consent and agreement of lessor attached as **Exhibit F** is a form that is currently acceptable to us. If you, the individuals that own your entity or a business entity affiliated with you owns or purchases the site of any Restaurant premises, at our request, you, the individuals or the affiliated entity will give us the option to lease the premises on termination or expiration of the Franchise Agreement upon terms reasonably acceptable to us.

We will give you mandatory and suggested specifications and layouts for a Restaurant, including requirements for dimensions, design, image, interior layout, decor, assets, and color scheme. These specifications and layouts might not reflect the requirements of any federal, state, or local law, code, or regulation, including those arising under the Americans With Disabilities Act (“ADA”) or similar rules governing public accommodations for persons with disabilities. You must prepare a site survey and all required construction plans and specifications for the site and make sure that they comply with the ADA and similar rules, other applicable ordinances, building codes, permit requirements, and lease requirements and restrictions. We must review and approve all final specifications and plans before you begin constructing the Restaurant and all revised or “as built” specifications and plans during construction. Our review is only to ensure your compliance with our design requirements and is not meant to verify compliance with any applicable laws or building codes. We may inspect the Restaurant during its development.

You must obtain our written approval before entering into a lease for the Restaurant premises. Our approval does not in any way guarantee, represent or warrant your success at that location or that you will generate any specific level of sales. We may require certain specific conditions prior to granting our approval, including provisions relating to use of the premises, subleasing, rental terms, signage, sending us copies of default notice and our rights upon default including an option to assume the lease.

You must use, in developing and operating the Restaurant, only those products and services, including food products, supplies, fixtures, inventory, equipment, signs, computer hardware and software, marketing novelties, and logo-imprinted products, that meet our specifications and standards for quality, design, appearance, function and performance. You must only place or display the signs, emblems, lettering, logos and display materials that we approve periodically. We will provide you with specifications for these items required for the Restaurant. As stated, these specifications will be set forth in the Manual or other written communication.

You must use certain software systems in strict conformity with the specifications contained in the Manual or other written communication. You must purchase and use any operations software and any accounting software that we specify. Accounting software will include processing of all accounting functions including profit and loss, balance sheet, cash flow statements, payroll administration, payroll

tax filings, bill payment and credit card, gift card and loyalty card processing. You must also purchase and use other third party software we specify.

You will comply with our rules, specifications, reporting requirements, and reimbursement procedures concerning the offer, sale, redemption, and accounting for gift certificates, gift cards and stored value cards.

You will participate in and comply with our rules, specifications, reporting requirements, and reimbursement procedures concerning any loyalty card program and other system-wide marketing programs, including participation in any online ordering and e-commerce programs we designate, and you will honor all credit cards and other payment methods we designate.

You must conduct all advertising, marketing and promotion in a dignified manner. Your advertising must be coordinated and consistent with our marketing plans and strategies and conform to our standards and requirements we prescribe. All advertising and promotional materials, signs, decorations, and other items we designate must bear the Marks (see Item 13) in the form, color, location and manner we prescribe. We must approve all advertising or promotional materials. Before you use them, you must send us for review samples of all advertising, promotional, and marketing materials that we have not prepared or previously approved. If you do not receive written disapproval within 15 days after we receive the materials, they are deemed to be approved. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved.

You must obtain and maintain insurance, at your expense, as we require, in addition to any other insurance required by applicable law, your landlord, lender or otherwise. Our insurance requirements currently include the following coverage:

1. Commercial General Liability - \$2,000,000,
2. Worker's Compensation Insurance - As required by local law;
3. Business Automobile Liability Insurance - \$1,000,000,
4. Employee Benefits Liability - \$1,000,000,
5. Employment Practices Liability - \$1,000,000,
6. Special Form ("All Risk") Property Coverage – Full Replacement Cost
7. Business Income including Extra Expense Coverage - To cover net profit and continuing expenses (including franchise fees, royalties, or other expenses due to us), for a period of not less than six (6) month,
8. Breakdown Coverage (Boiler & Machinery) – To cover Contents and Business Income exposures described above,
9. During Construction – Commercial General Liability, Business Auto Liability and Workers Compensation, as applicable

If we permit you to offer alcohol upon your written request, liquor liability insurance must be included within your Commercial General Liability insurance coverage or separate equivalent insurance must be provided with the same required limits.

Each insurance policy must name us and entities and persons affiliate with us as additional insureds (except for Workers' Compensation coverage). At least 10 days before you open your business or begin any construction, you must furnish us with the insurance requirements and a paid receipt showing the certificate number. You must send to us current certificates of insurance on an annual basis. On our request, you must provide us with copies of all insurance policies together with proof of payment for insurance. Each certificate of insurance must include a statement by the insurer that the policy will not be canceled, subject to non-renewal or materially altered without at least 30 days' written notice to us. Your insurance must be written by an insurance company reasonably satisfactory to us with a rating of B+ or better.

In addition, there may be insurance requirements mandated by the landlord and the regulatory authority in the state in which your Restaurant operates. You must ensure that both our requirements and those of the landlord and the state are obtained and maintained throughout the term of the Franchise Agreement. We will specify the type and amount of insurance in the Franchise Agreement, the Manual, or otherwise in writing. We may change the required insurance coverage and/or minimums at any time. We may periodically change the amounts of coverage required under the insurance policies and require different or additional kinds of insurance, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances, if the changes apply to all Restaurants. Any breach of insurance coverage constitutes a breach of the Franchise Agreement. In addition, we may, but we are not required to, secure coverage for you if you fail to do so, at your expense.

We provide an initial training program to our franchisees for up to four individuals with no additional fee. We may charge an additional initial training program fee for training additional individuals, including replacement individuals who serve as your Operating Partner, General Manager, Kitchen Manager and Pit Master. We may also charge training fees, fees for conferences and continuing education events and additional and enhanced operations assistance and guidance.

Required and Approved Suppliers

Under the terms of your Franchise Agreement, we may also designate one or more approved suppliers for any products or services and if we do, you will have to purchase the designated product or service only from the approved supplier or suppliers. We and our affiliates may be an approved supplier or the designated sole supplier for any purchases of products or services and may obtain revenue from you and make a profit without any limits on the amount of profit we or our affiliate may make. Our approval or designation of a supplier does not constitute our guaranty or warranty of the supplier or the products or services offered by the supplier. We may provide you with names or recommend suppliers for any item or service, but you do not have to purchase from a suggested or recommended supplier.

We currently require that you purchase or lease certain items or services from only one designated supplier. We may select single designated suppliers for certain additional items and services in the future. We currently have one designated distributor that supplies you with meats, poultry, fish, our proprietary Chaps BBQ Spice and other food items. You must purchase Pepsi brand fountain drinks from the authorized Pepsi distributor serving your Restaurant. We have one designated vendor for branded packaging and other paper products displaying our logos that you must purchase from. You may purchase other paper products not displaying the Marks from other vendors. Certain other items displaying the Marks may only be purchased from us. We purchase uniform shirts and hats in bulk and resell them to franchisees at cost plus a markup. We provide you with an initial supply of various poster graphics and decals that you must display in your Restaurant as part of the initial décor package. We are currently the only designated supplier for additional poster graphics and decals that you must use after you open for business. We currently sell the poster graphics and decals to franchisees at our cost but we may add a markup in the future. We may require that you purchase certain marketing, advertising and promotional materials, and certain branded merchandise required for your Restaurant only from a sole designated supplier. You will develop or purchase other marketing, advertising and promotional materials from other sources, subject to our requirements. We may in the future designate an approved sole supplier, including ourselves and our affiliates, for any one or more additional items, and you will have to purchase from us or them.

As described above, we are currently the sole designated supplier to our franchisees for uniform shirts and hats and poster graphics and decals. We may also supply miscellaneous products to our franchisees, for example cups, bags, and other supplies, but they are not required to buy these items from us. We are also the sole designated supplier for the training programs, conferences and continuing

education events we require or offer. We do not currently have any affiliates who offer to sell or lease goods and services to our franchisees or who are currently approved or designated suppliers to our franchisees.

Approval of Alternative Suppliers

We will select suppliers based on factors we establish, including their ability to meet all of our product standards and specifications, the adequacy of their quality controls and capacity and facilities to supply your needs and other franchisees' needs promptly and reliably. We disclose some, but not all, of our specifications and standards for products and services, to suppliers and franchisees. Certain specifications pertaining to products and services will be contained in the Manual, which we may modify.

You may request approval of an alternate supplier under the Manual or other published procedures, which include inspection of the proposed supplier's facilities and testing of product samples. We will have the right to charge you a reasonable fee equal to the costs that we incur for making such determination. We may approve an alternative supplier which you propose if the supplier has competitive terms and is in compliance with our selection factors. We reserve the right to have a single supplier for certain products and services. We will advise you within 60 days after you have provided all requested information, whether the product or service meets our standards and specifications. We reserve the right to reinspect the facilities and products of any approved supplier, and to revoke our approval if the supplier fails to continue to meet any of our criteria. We may revoke our approval of previously designated or approved suppliers and designate new or replacement designated or approved suppliers by written or electronic communication or through changes in the Manual. After you receive our changes, you must take all actions, at your expense, to implement these changes by the date or dates we direct.

Revenue from Franchisee Purchases

We derive revenue from franchisee purchases of products and services. In 2021, we received \$1,574 in revenue from purchases made by franchisees for the purchase of uniform shirts and hats, amounting to 0.38% of our total revenues of \$410,111 reported on our audited financial statements for the period ended December 31, 2021. Our affiliates did not receive any revenues from sales to franchisees, for the year ending December 31, 2021.

We and our affiliates have the right to receive rebates, incentives, and other payments from suppliers and others on account of franchisee purchases, for, among other things, the services that we provide and/or the Marks that we license in connection with their dealings with you and our system of Restaurants and your and other franchisees' purchases, based on the business they conduct with you and other franchisees. We and our affiliates may use all amounts received without restriction (unless agreed to otherwise with the supplier) for any purposes we or our affiliate deems appropriate in the exercise of our or its business judgment, including defraying advertising expenses, returning amounts to you based on your usage of the respective supplier, or retaining the amounts for our or our affiliate's own purposes.

We and our affiliates derived revenue from suppliers because of franchisee purchases or leases during the year ending December 31, 2021. We and our affiliates currently have arrangements with certain suppliers in which we or our affiliate receive rebates and incentives of 2% to 9% of certain franchisee purchases. We reserve the right to modify and enter into additional arrangements in the future.

We do not at present hold franchisee conventions. If we hold conventions, suppliers may pay booth fees and may sponsor events to participate in the convention, which might subsidize our costs to hold the convention.

We may negotiate purchase arrangements with suppliers for your benefit, including price terms and product allocation reservations, but we are not obligated to do so. You may benefit from price terms, product allocation reservations and other purchase arrangements we may negotiate, but we do not provide any material benefits to you (such as renewal rights or the ability to purchase additional franchises) based on your purchase of particular products or services or use of particular suppliers.

Cooperatives and Interests in Suppliers

Officers of our company do not own an interest in any privately held suppliers, or a material interest in any publicly-held suppliers to our franchisees, except certain officers of our company own an interest in our company and in our affiliate Chaps Pit Beef, Inc. We and our affiliate are approved suppliers to our franchisees.

We do not have, or participate in, any purchasing or distribution cooperatives.

* * * * *

The requirements described in this Item (and in other Items) represent the System for Restaurants at the present time. However, we retain the right to change these requirements, including any single-source requirements, as the Restaurant System evolves over time and the needs of the Restaurant System change.

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Item 9
FRANCHISEE'S OBLIGATIONS

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

FRANCHISE AGREEMENT

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	2.1, 2.2, 2.3	11
b. Pre-opening purchases/leases	2.1, 2.2, 2.3, 2.5, 2.8	8
c. Site development and other pre-opening requirements	2.1, 2.2, 2.3, 2.5, 2.8, 3.1, 3.4, 8.5	7 and 11
d. Initial and ongoing training	3.1, 3.3	11
e. Opening	2.9	11
f. Fees	2.2, 2.5, 3.1, 3.2, 3.3, 3.4, 6.5, 7, 8.2(iii), 8.5, 9.2, 9.4, 10(viii), 11.2, 12.4, 13.1(iii), 15.4(vii), 16.4	5, 6 and 7
g. Compliance with standards and policies/ Operating Manual	1.1(x), 2.1, 2.3, 2.5, 2.8, 2.9, 3.2, 3.4, 7.10, 8, 9.2, 9.3, 10	11
h. Trademarks and proprietary information	4 and 5	13 and 14
i. Restrictions on products/services offered	3.2, 8.1 and 8.2	16
j. Warranty and customer service requirements	8.2(v)	Not Applicable
k. Territorial development and sales quotas	1.1	12
l. Ongoing product/service purchases	8.1, 8.2	8
m. Maintenance, appearance and remodeling requirements	2.5, 2.8, 8	11
n. Insurance	8.5	6, 7 and 8
o. Advertising	7, 8 and 9	6, 8 and 11
p. Indemnification	6	6
q. Owner's participation/management/ staffing	3 and 8	11 and 15
r. Records and reports	10	6
s. Inspections and audits	8.3 and 11	6 and 11
t. Transfer	12	6 and 17
u. Renewal	1.1 and 13	6 and 17
v. Post-termination obligations	4.5, 15	17
w. Non-competition covenants	5.3, 15.4	17
x. Dispute resolution	16	17
y. Other: Guaranty of Franchisee's Obligations	10(xi), 12.3, Exhibit I to the FDD	1, 15 and 17

MULTI-UNIT DEVELOPMENT AGREEMENT

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
(a) Site selection and acquisition/lease	V.	5 and 7
(b) Pre-opening purchases/leases	V.	7 and 11
(c) Site development and other pre-opening requirements	II. and V.	7, 8 & 11
(d) Initial and ongoing training	Not Applicable	Not Applicable
(e) Opening	II.	7 and 11
(f) Fees	IV., V.B.2., IX.A.2, XI.D., XII.I., XV.D.	5 and 6
(g) Compliance with standards and policies/Operations Manual	II.H., VII.	8 and 11
(h) Trademarks and proprietary information	VII., VIII.	13 & 14
(i) Restrictions on products/services offered	Not Applicable	Not Applicable
(j) Warranty and customer service requirements	Not Applicable	Not Applicable
(k) Territorial development and sales quotas	II.	12
(l) Ongoing product/service purchases	Not Applicable	Not Applicable
(m) Maintenance, appearance and remodeling requirements	Not Applicable	Not Applicable
(n) Insurance	Not Applicable	Not Applicable
(o) Advertising	Not Applicable	Not Applicable
(p) Indemnification	XIII.C.	6
(q) Owner's participation/management/staffing	Not Applicable	15
(r) Records and reports	Not Applicable	Not Applicable
(s) Inspections and audits	Not Applicable	Not Applicable
(t) Transfer	XI	6 & 17
(u) Renewal	Not Applicable	Not Applicable
(v) Post-termination obligations	XII	17
(w) Non-competition covenants	XII	17
(x) Dispute resolution	XV	6 & 17
(y) Other: Guaranty of Franchisee's Obligations	XI, <u>Exhibit I</u> to the FDD	15

Item 10 FINANCING

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

Item 11
FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

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

Pre-Opening Assistance

Before you open your Restaurant, we will:

1. Designate your Protected Area (Franchise Agreement, Section 1.1).
2. Provide you with site criteria. (Franchise Agreement, Section 2.2). You will lease or purchase the premises for your Restaurant from a third party.
3. Approve or disapprove of your proposed site for your Restaurant. (Franchise Agreement, Section 2.2).
4. Approve or disapprove of the terms of the proposed lease or purchase agreement for your site within 10 days after you provide us with a copy. (Franchise Agreement, Section 2.3).
5. Make available to you the standards for designing, constructing, equipping and operating your Restaurant, all to be undertaken at your sole cost. Within 30 days of your signing a lease for your Restaurant, we will provide you with a copy of the design plans and build-out specifications so you can have your architect prepare the site specific plans for your Restaurant. The premises must conform to all codes and ordinances and have all required permits. You must construct or remodel the location to our standards and subject to our approval. We must approve any and all changes or revisions to your architect's final plans for your site before you begin construction (Franchise Agreement, Section 2.5).
6. Maintain lists of equipment, fixtures, maintenance and repair items, signs, and other equipment and operating supplies that we have approved as meeting our specifications and quality standards for design, appearance, function, performance and serviceability and maintain a list of designated suppliers. (Franchise Agreement, Section 2.8)
7. Provide initial training programs to you (or your Operating Partner if you are a business entity or more than one individual) and your General Manager, Kitchen Manager and Pit Master. (Franchise Agreement, Section 3.1). See Training below.
8. Lend you (or provide you with access to) a single copy of our Manual that contains mandatory and suggested specifications, standards, and procedures. The Manual is confidential and remains our property. We may modify the Manual as and when we desire, but no modification will materially alter your status and rights under the Franchise Agreement (Franchise Agreement, Section 3.2).

On-Going Obligations

During the operation of the Restaurant, we will:

1. Make available to you the standards for designing, constructing, equipping and operating your Restaurant, all to be undertaken at your sole cost. (Franchise Agreement, Section 2.5).
2. Maintain lists of equipment, fixtures, maintenance and repair items, signs, and other equipment and operating supplies that we have approved as meeting our specifications and quality

standards for design, appearance, function, performance and serviceability and maintain a list of designated suppliers. (Franchise Agreement, Section 2.8)

3. Conduct initial training programs and retraining programs and conduct additional training programs as we deem necessary. (Franchise Agreement, Section 3.1)

4. If established, hold supplemental or refresher and/or advanced training programs, conferences, seminars, and continuing education events. (Franchise Agreement, Section 3.1).

5. Continue to lend you (or provide you with access to) a single copy of our Manual that contains mandatory and suggested specifications, standards, and procedures. The Manual is confidential and remains our property. We may modify the Manual as and when we desire, but no modification will materially alter your status and rights under the Franchise Agreement (Franchise Agreement, Section 3.2).

6. Advise you of operating deficiencies and furnish guidance relating to methods and procedures, and your Restaurant's cleanliness, food preparation and appearance (Franchise Agreement, Section 3.3).

7. Provide additional remote and on-site assistance (Franchise Agreement, Section 3.3).

8. We will establish and administer the Advertising Fund (Franchise Agreement, Section 9.1). See below under Advertising.

9. Issue and modify System standards. We may periodically modify System standards, which may address regional or local variations and these modifications may require you to invest additional capital or incur increased operating costs (Franchise Agreement, Section 8.3).

10. Let you use our Confidential Information (Franchise Agreement, Sections 5.1 and 5.2).

11. Let you use our Marks (Franchise Agreement, Sections 4.2 and 4.4).

Advertising

We will establish and administer the Advertising Fund (the "Fund"). You will pay 1% of your Gross Sales weekly into the Fund. Our company-owned or affiliated restaurants will make contributions to the Fund on the same basis as required of the franchise owners, starting when franchisees begin contributing to the Fund. Unless required by applicable law, we will have no obligation to create a trust account, escrow account, or other special account for the Fund, and the monies comprising the Fund may be placed in our general account(s) if we desire. No fiduciary duty is created by the existence of the Fund. We may also reserve portions of the Fund for use in a subsequent year. We will provide an unaudited accounting of the financial activities of the Fund annually to you upon written request. We intend the Fund to be of perpetual duration, but we maintain the right to terminate the Fund or to create new accounts or merge accounts. We will not terminate the Fund until all money in the Fund has been expended for advertising, marketing, public relations or other appropriate purposes or returned to contributors on the basis of their respective contributions. (Franchise Agreement, Sections 7.3 and 9.1).

The Fund may be used to pay any and all costs of maintaining, administering, directing and preparing national, regional or local advertising materials, programs and public relations activities including the costs of preparing and conducting television, radio, magazine, billboard, newspaper and other media programs and activities, employing advertising agencies, providing promotional brochures, decals and other marketing materials, travel expenses, the expansion and improvement of Restaurant training to and for all Restaurants, product development, signage, brand/image campaigns, conferences, trainings, conventions, third party and employee fees and costs relating to the Fund, web site

development/operation and to pay Internet, Intranet, 800 or similar numbers, and other charges, fees and/or expenses, and other items. (Franchise Agreement, Section 9.1).

We will direct all advertising programs to be undertaken through the use of the Fund in our sole business judgment. We will have control over all creative concepts, materials and media used in all programs and the placement and allocation of all programs. There is no franchisee advertising council that advises us on advertising policies. Advertisements generally will be in both print and broadcast media, initially with local coverage. We may use an outside advertising agency to create and place advertising. Personnel of ours and of our affiliated companies currently function like an in-house advertising agency and we do not currently use any regional or national advertising agencies. The Fund will generally be used to promote the goods and services offered by the Restaurants. No percentage of the contributions to the Fund we collect will be used for advertising that is principally a solicitation for the sale of franchises but we reserve the right to include a message or statement in any advertisement indicating that franchises are available for purchase and related information. The Fund is intended to maximize general public recognition and patronage of all Restaurants and we are not obligated to advertise in your Restaurant's market area or insure that expenditures which are proportionate or equivalent to your contributions are made for your Restaurant or that any Restaurant will benefit directly or pro rata from the placement of advertising. (Franchise Agreement, Section 9.1).

We and/or our affiliates and the Advertising Fund may develop advertising, marketing and other materials and promotional give-away items which we and/or our affiliates and the Advertising Fund may sell to you. We and/or our affiliates and the Advertising Fund may make a profit on the sale. Any earnings on the sale of all items sold by the Advertising Fund to franchisees, after all costs, including costs and overhead, if any, we incur, will be contributed to the Advertising Fund. (Franchise Agreement, Section 9.1).

You must aggressively advertise, market and promote your Restaurant on a local basis. You will use best efforts to promote the business of your Restaurant and fully exploit the market through local advertising, marketing and promotion and will expend the funds that may be necessary to accomplish this result, subject to our approval of all proposed materials. (Franchise Agreement, Section 9.2).

You must conduct all advertising, marketing and promotion in a dignified manner. Your advertising must be coordinated and consistent with our marketing plans and strategies and conform to our standards and requirements we prescribe. All advertising and promotional materials, signs, decorations, and other items we designate must bear the Marks in the form, color, location and manner we prescribe. We must approve all advertising or promotional materials. Before you use them, you must send us for review samples of all advertising, promotional, and marketing materials that we have not prepared or previously approved. If you do not receive written disapproval within 15 days after we receive the materials, they are deemed to be approved. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved. At our request, you will include a message or statement in any advertisement, including any signs you purchase at your expense, indicating that franchises are available for purchase and related information. (Franchise Agreement, Section 9.2).

All advertising and promotion by you will be completely factual and will conform to the highest standards of ethical advertising. You will, in all dealings with your customers, suppliers, the public, and us, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You will refrain from any business or advertising practice that may be injurious to our business and the goodwill associated with the Marks and other Restaurants, including the duplication of copyrighted material, unless the material is for the account of the copyright owner or the copyright owner approves the duplication. (Franchise Agreement, Section 9.2).

You will participate in any System-wide promotion as we direct, use displays and promotional materials authorized by us in connection with the promotion and coordinate your participation with us and other licensees and franchisees of ours as we may direct, at your expense. (Franchise Agreement, Section 9.2).

You must engage in a Pre-Opening Marketing Promotion leading up to and immediately following the opening of your Restaurant. You must spend a minimum of \$2,500, or a greater minimum amount up to \$5,000, that we determine, based upon your Restaurant and its location. You may spend more than the minimum we require. Pre-opening marketing campaign promotional activities typically include advertising, direct mail, press party, on-site celebrity visits, radio broadcasts, cable TV, tents, decorations, and free food, in addition to a grand opening celebration, events, social media and Internet marketing, which will be subject to our prior written approval and will be conducted according to our specifications contained in the Manual. You will pay your vendors directly and provide us with copies of invoices within 30 days following the date your Restaurant opened (and monthly thereafter, as required) to confirm your compliance with this requirement. (Franchise Agreement, Section 7.4 and Section 9.2).

You may not maintain a World Wide Web site, conduct e-commerce, or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with your Restaurant without our prior written approval, which we may withhold for any reason or no reason. You may not post any of our proprietary, confidential or copyrighted material or information on the World Wide Web without our prior written permission. The requirement for our prior approval will apply to all activities on the Internet or other electronic communications network to be conducted by you, including email, texting, blogs and social networking sites. You agree to obtain our prior approval as provided above if you propose to send advertising to multiple addressees via e-mail (Franchise Agreement, Section 9.3).

To address customer desires and expectations, you will offer and redeem (or not redeem) gift certificates and gift cards and stored value cards, maintain a loyalty card program and a credit card acceptance policy and comply with our rules regarding any branded credit card presented by customers of your Restaurant, according to our rules and specifications and at your cost, including participation in any online ordering and e-commerce programs we designate. We and our affiliates will supervise the programs for gift certificates, gift cards and stored value cards and you will purchase from us, our affiliates or approved vendors, the gift certificates, gift cards and stored value cards, including any ancillary envelopes, card carriers and other related promotions materials we designate. (Franchise Agreement, Section 9.4).

During 2021, the Fund contributions were used approximately 8% for maintenance of website, 22% for social media, and 70% for production of materials and promotion.

We expect that all our franchisees will be obligated by contract to contribute to the Fund at the same rate. Any Restaurants we or our affiliates operate will contribute at the same rate starting when franchisees begin contributing to the Fund.

Advertising Cooperatives or Advertising Council

We currently do not have any advertising cooperatives or an advertising council. We do not have the power to require regional advertising cooperatives to be formed.

Computer Requirements

We have the contractual right to specify the type of cash register system and computer system used in connection with the Restaurant to record and report sales and support operations and communications. You must use an operations computer and Point-of-Sale (POS) system ("Computer System") including all necessary computer hardware, accessories or peripheral equipment, software programs, systems documentation manuals, and other related materials, firmware, telecommunications infrastructure products, credit card, gift card and loyalty card processing equipment and support services we specify. You will comply with our requirements for use of the Computer System which may include a connection to remote servers, off site electronic repositories and high speed Internet connections, and the establishment of one or more email accounts. We may designate a source from whom you must purchase or license all of the elements of the Computer System and we may require you to use an Internet Service Provider approved by us. You must obtain and maintain, at your sole expense, our specified accounting and finance software systems or if we do not specify the systems, you must use software systems conforming to any requirements we prescribe, including electronic systems with online access for us.

You must use an email address to send and receive email and attachments on the Internet. You must also accept credit card payments. In the future, you may also be required to report all transactions of the restaurant to us electronically at the same time each transaction occurs. To better manage business functions and control costs, we may charge you a fee or require you to invest in and implement and maintain at your own expense new and evolving technologies and marketing programs to meet competitive market conditions. These may include hardware and software modifications, enhancements, maintenance and support services, communications methods, monitoring, online, kiosk and other electronic ordering, delivery methods, e-commerce programs, gift certificates, stored value cards, acceptance of debit cards, smart phone and other electronic payment methods, loyalty programs, LCD or plasma monitors, music, Internet TV, Social Media applications, WiFi, surveillance system, PCs, hand held devices, e-learning and software applications. You will purchase from us, our affiliate or our approved vendor any products and services necessary for you to implement the new technologies or participate in the marketing programs. Certain programs may have associated transaction charges, service fees or transmission fees which we, an affiliate or a third party may administer or charge.

We will have independent, unlimited access to all information inputted to and/or compiled by your Computer System and any other systems or any off site server. There are no contractual limitations on our right to access any information and data.

You will use the Computer System to produce sales reports and post sales, sales tax, refunds and credits, and submit that information to us. The Computer System will allow us to poll your sales and monitor any gift card sales and redemptions. The Computer System may also have an inventory control and tracking system for cost analysis and control.

We currently designate DBS (Delaware Business System) as the supplier for the hardware and software for the Computer System. The cost of the current Computer System is \$12,000 to \$25,000 for two touch screen terminals, customer receipt printers, kitchen display monitor, credit card processing equipment, back office computer, software licenses (Windows), cable kits for all equipment, and equipment setup. You may also use a self-serve kiosk provided you have at least one touch screen terminal to provide full service to customers. Not included within the estimate are any updates and variations of the above mentioned systems or any other automation systems, POS systems, and/or Information Technology (I.T.) systems.

It will be your responsibility to enter into contracts for the training, maintenance, support, upgrades and updates to the Computer System with approved suppliers of the products and services as identified in the Manual. We and our affiliates are not obligated to provide training, maintenance,

support, upgrades and updates to you. The current annual Computer System maintenance fee is approximately \$1,200 to \$1,500 provided by DBS.

You must maintain the Computer System in good working order at all times, and upgrade or update the Computer System during the term of the Franchise Agreement as we may require. There are no contractual limitations on the frequency and cost of your obligation to comply with our changes. We need not reimburse you for any of these costs.

We may charge you a fee or require you to invest in and implement and maintain at your own expense new and evolving technologies and marketing programs to meet competitive market conditions. These may include hardware and software modifications, enhancements, maintenance and support services, communications methods, monitoring, online, kiosk and other electronic ordering, delivery methods, e-commerce programs, gift certificates, stored value cards, acceptance of debit cards, smart phone and other electronic payment methods, loyalty programs, LCD or plasma monitors, music, Internet TV, Social Media applications, WiFi, surveillance system, PCs, hand held devices, e-learning and software applications. You will purchase from us, our affiliate or our approved vendor any products and services necessary for you to implement the new technologies or participate in the marketing programs. Certain programs may have associated transaction charges, service fees or transmission fees which we, an affiliate or a third party may administer or charge. We have not estimated the costs for all of the possible technologies listed above as they are in the early stages of planning or still evolving and costs cannot be estimated at this time.

None of the hardware or software companies listed above is contractually obligated to provide you with ongoing upgrades or updates except as noted.

We will have independent access to the information and data collected by and produced by your Computer System and all email communications sent to or from any email accounts we provide; there is no contractual limitation on our right to access this information and data.

Manual Table of Contents

You will operate your Restaurant in accordance with the Manual which contains mandatory and suggested specifications, standards and operating procedures, and may be updated as a result of experience or changes in the law or marketplace.

The Table of Contents of the Manual showing the number of pages in each section, is attached as **Exhibit J** to this disclosure document. The total number of pages in the Manual as of the date of this disclosure document is 304.

Site Selection

Typical sites for a Restaurant are a building of 1,200 to 1,500 square feet, in a strip shopping center, shopping center or urban downtown location. We may authorize a Restaurant as small as 750 square feet.

You must use your best efforts to seek and select a proposed location for your Restaurant. We do not intend to own the premises and lease it to you; rather, we require you to purchase the premises or lease the premises from a landlord unrelated to us and unrelated to you, unless you obtain our written consent. When you have found a potential site, you should propose the location for our consideration. We will not unreasonably withhold approval of a site that meets our standards, including for demographic characteristics (e.g., population density and household economics), location and neighborhood, proximity to other businesses, visibility, ease of access, available parking, architectural style, size, layout, general condition and lease terms. Our approval of a site is only intended to indicate our confirmation that the

proposed site meets our minimum criteria for conforming to our business model and standard and does not constitute a judgment as to the likelihood of success of the Restaurant at the location or a judgment as to the relative desirability of the location in comparison to other locations. The Franchise Agreement does not specify the time period for our approval of your site but we expect to be able to do so within 30 days after you submit a fully complete site evaluation package. You must select, and we must approve in writing, an acceptable site within 90 days of the date of the Franchise Agreement. The site must be located within a geographic area identified in **Exhibit 1** to the Franchise Agreement. You must secure the premises by lease or purchase within 180 days of the date of the Franchise Agreement. If you cannot secure an acceptable site within 180 days, we can either extend the time for you to secure a location or elect to terminate your Franchise Agreement by giving you written notice (Franchise Agreement, Section 2.2). You must then open the Restaurant for business within nine months after the effective date of the Franchise Agreement. If you fail to open the Restaurant by the required opening date it will constitute grounds for immediate termination of the Franchise Agreement, with no opportunity to cure, and we will not refund any payment to you. (Franchise Agreement Sections 2.2 and 14.2).

You must submit the lease or other occupancy agreement to us for our approval before it is signed. We will approve or disapprove of the terms of the proposed lease or occupancy agreement for your site within 10 days after you provide us with a copy. Our approval of your proposed lease terms does not constitute our guarantee of success of your business at the site you have selected. If you intend to lease your business location, the lease must include certain required provisions. (Franchise Agreement, Section 2.3). We may require that the lease or occupancy agreement include any or all of the following provisions:

- The premises will only be used for the operation of a CHAPS PIT BEEF® Restaurant or FAMOUS CHAPS PIT BEEF 1987™ Restaurant, and for no other purposes whatsoever;
- The premises, or any part of the premises, may not be assigned or sublet except as part of a sale of the Restaurant, which must be approved by us;
- We will have the right to enter the premises to perform quality assurance inspections (announced or unannounced), to inspect and make any modifications we deem necessary to protect the Marks and to insure compliance with any other obligations you have to us under the Franchise Agreement;
- We will have the right (but not the obligation) to receive an assignment of the lease upon termination or expiration of the Franchise Agreement or in event of your default under the lease; a form of Collateral Assignment of Lease, including the consent and agreement of lessor, that contains provisions that would be acceptable to us if this right is provided in an agreement separate from the lease is attached as **Exhibit F**;
- Lessor will acknowledge our existence and the requirement of our prior written approval of the lease and any subsequent renewals, extensions, modifications and amendments to the lease;
- Lessor will agree to furnish to us a copy of any default notice served on you and/or lessee simultaneously with the service of the notice to you and/or lessee and, further, shall agree to give us the opportunity, but not the obligation, to cure any of your and/or lessee's defaults under the lease within fifteen (15) days following the expiration of any cure period provided under the lease, assuming your and/or lessee's failure to cure the default;
- Lessor will agree that, if we exercise our right to cure your and/or lessee's defaults under the lease, including the expiration of the Franchise Agreement without renewal or a termination of the Franchise Agreement prior to expiration, then we may, at our option, succeed to your and/or lessee's interests under the lease and will be recognized by lessor as the lessee or sublessee for the remaining term of the lease; and
- Lessor will agree that, if we succeed to your and/or lessee's interests under the lease for any reason, we will have the right to further assign the lease or to sublease the location to either an entity owned or controlled by us, or to a franchisee or licensee who meets our requirements to be a franchisee or licensee and lessor's requirements to be a lessee or sublessee.

If you, the individuals that own your entity or a business entity affiliated with you owns or purchases the site of any Restaurant premises, the above items will apply except that in lieu of a collateral assignment of lease, at our request, you, the individuals or the affiliated entity will give us the option to lease the premises on termination or expiration of the Franchise Agreement upon terms reasonably acceptable to us. (Franchise Agreement, Section 2.3.).

We have the right to approve or withhold approval for any request to relocate your Restaurant. You may not relocate your Restaurant without our prior written approval. If we grant approval, you will obtain a location acceptable to us, following the same procedure and subject to the same requirements, fees and reimbursement of costs that applied to the selection of the initial location. You will open the relocated Restaurant for business within 180 days of closing the Restaurant at the previous location. You will de-identify the former location according to our specifications and guidelines at your expense within the time we specify. (Franchise Agreement, Section 2.6.).

Under the Multi-Unit Agreement, you must use seek and select a proposed location for your Restaurant. The Multi-Unit Agreement does not specify the time period for our approval of your site but we expect to be able to do so within 30 days after you submit a fully complete site evaluation package. Our approval does not mean the site will be profitable, successful, or generate any level of income. You should not make any binding commitments to lease or purchase a site until you receive our approval. Promptly after approval of any site, we will transmit to you, a franchise disclosure document (the “FDD”) and two execution copies of the then current Franchise Agreement pertaining to the approved site, the terms of which may differ from the previous Franchise Agreement executed by you. Immediately upon receipt of the FDD, you will return to us a signed copy of the Receipt for the FDD. After the passage of any applicable disclosure period, you will execute and deliver to us, the two copies of the Franchise Agreement and the initial franchise fee required pursuant to the Franchise Agreement, after application of the amount of the Development Fee, if any, to be credited to the initial franchise fee for the particular location. We will, upon receipt of the documents and initial franchise fee, execute and return to you one copy of the Franchise Agreement. You will then procure the site by purchase or lease and commence construction and operation of the Restaurant under the terms of the Franchise Agreement. (Multi-Unit Agreement, Section V.)

Time to opening

We estimate that there may be an interval of between 6 to 9 months between the signing of the Franchise Agreement and the opening of your Restaurant. This interval may vary based on factors, such as the location and condition of the site, zoning and permitting requirements, the level of upgrade or build-out required, the delivery of equipment, regulatory and licensing requirements, staffing and training.

Training and Assistance

We will send up to four representatives to the Restaurant at no fee to you for up to two days immediately prior to the opening of the Restaurant and up to another two days including the day of and after opening, to assist you in operating and marketing the Restaurant. If your Restaurant is outside a 60 mile radius from our affiliate’s Aberdeen, Maryland Restaurant, you will reimburse us for our representatives’ travel, lodging, meals. We estimate the cost of travel, lodging and meals will range between \$350 to \$1,200 if your Restaurant is within driving distance (approximately up to 225 miles from Aberdeen, Maryland) and between \$700 to \$4,500 if our representatives must fly and travel to your Restaurant.

At your request and subject to availability as we determine, we will send representative(s) to assist you at a cost to you of \$750.00 per day per representative, plus travel, lodging, meals and incidental costs. If you request on-site opening assistance in addition to opening assistance we agree to provide you,

or if we deem additional opening assistance is necessary, or if we provide you with other training or operations assistance at your request or as we may deem necessary, you will pay us a training fee and/or additional operations assistance fee at our then current per diem fee, plus our employees' or agents' expenses, including travel expenses, room and board, if any. Our current per diem fee is \$750 for each person providing the training. Any additional training fee and/or additional operations assistance fee will be due one week before the time of service or assistance, as applicable, if scheduled in advance, otherwise at the commencement of the service or assistance.

You (or your owner you have designated to be responsible for communicating with us (the "Operating Partner")), your General Manager, Kitchen Manager and Pit Master are required to complete their respective franchisee, General Manager, Kitchen Manager and Pit Master initial training course to our satisfaction prior to your opening the Restaurant for business. If you (or your Operating Partner), your General Manager, Kitchen Manager and/or Pit Master fail to complete the training course to our satisfaction, then the individual must repeat the training course until we determine that the training course has been completed satisfactorily. Failure to satisfactorily complete the training course timely in order to open the Restaurant within the time required could result in termination of the Franchise Agreement.

Training may take place in one or more sessions, with a session varying from one or more consecutive days and you will have to plan your schedule accordingly. Training will be at the times and places we designate and/or delivered via Internet, webinar or other form of electronic communication. All expenses incurred in connection with the initial training program, including the cost of travel, housing, meal expense, and wages, if applicable, will be borne by you for all individuals attending initial training, and we will provide and pay only for training instructors and materials. We may require retraining if we believe that, after completion of the initial training program, an individual has failed to successfully complete the training to our satisfaction. This will be an additional cost to you based on our then-current rates for initial training. If, during the operation of the Restaurant, we determine that you, the Operating Partner, your General Manager, Kitchen Manager or Pit Master need to correct performance issues, we may require additional training, which will be an additional cost to you for the cost of travel, lodging, meals, incidental costs and wages, if applicable, for all individuals attending additional training, and you will pay us an additional training fee based on our then-current rates. We will also make available any other training programs as we deem appropriate at our then-current rates. All training will be at the times and places we designate or delivered via Internet, webinar or other form of electronic communication.

Within 60 days before the scheduled opening date of the Restaurant, we will offer franchisee (Operating Partner), General Manager, Kitchen Manager and Pit Master initial training programs, and you (or your Operating Partner), your General Manager, Kitchen Manager and your Pit Master must attend and complete to our satisfaction the applicable initial training program at our facility in Aberdeen, Maryland, or at another location that we designate. You (or your Operating Partner) must attend and satisfactorily complete the franchisee initial training program and may also attend our initial General Manager training program. We will provide the initial franchisee, General Manager, Kitchen Manager, and Pit Master initial training programs to an aggregate of up to four individuals with no additional fee. We may, at your request, enroll additional individuals in our initial training programs, including during the term of the Franchise Agreement if you have replacement franchisees, General Managers, Kitchen Managers or Pit Masters. We will charge for each additional individual we train at the then current rate for the applicable initial training program. Our current fees are \$1,500 for each initial training program for each additional individual who attends the respective initial training program, plus \$500 per person for product inventory used at initial training for franchisees (Operating Partner), General Managers and Pit Masters. You must pay all salaries, travel, lodging, meals and incidental costs of the individuals attending training.

We may ask you and your employees to sign a Confidentiality and Noncompetition Agreement in a form satisfactory to us before we admit you to the training program, but we may not require the

noncompetition covenants from employees other than the General Manager, Kitchen Manager and Pit Master.

We may visit you periodically for the purposes of rendering advice and consultation with respect to the operation of your Restaurant, assessing your overall performance and determining whether you are conducting the Franchised Restaurant in compliance with the standards of the System. If we determine that you or your supervisory employees need additional training to correct performance issues, we may require additional training. This will be an additional cost to you, based on our then-current rates outlined in Item 6. Also, our representatives, making routine evaluations, may also furnish guidance if requested by you, subject to availability. We will provide additional guidance and assistance at an additional cost to you, at a rate of \$750.00 per day per representative, plus travel, lodging, meals and incidental costs. If you fail to correct a deficiency within 7 days after we give you notice or sooner if required by law or otherwise in the Franchise Agreement, or if you fail to begin corrective action within 5 days of our notice in the case of any correction which you cannot reasonably make within 7 days or you begin but fail to diligently pursue and complete the correction, whether or not you requested the additional guidance and assistance described above, we have the right, but not the obligation, to provide an enhanced level of additional guidance and assistance to you, at a rate of \$750.00 per day per representative, plus travel, lodging, meals and incidental costs.

At our request, previously trained and experienced franchisees, supervisory employees and Pit Masters will periodically attend supplemental or refresher and/or advanced training programs, conferences, seminars and continuing education events. These programs, meetings, conferences and/or continuing education events will be at the times and places we designate and/or delivered via Internet, webinar or other form of electronic communication. We may charge you a fee between \$250 to \$1,500 for each person attending. All expenses of the attendees incurred in connection with supplemental and refresher training programs, meetings, conferences and continuing education events as we may reasonably require, including the cost of travel, lodging, meals, incidental costs and wages, if applicable, will be borne by you.

We reserve the right to train any number of individuals from any number of franchises at the same time.

In the event you sell your franchise, we will train the new franchisee in the same manner and under the same circumstances as those described above.

The materials we use in our training programs include our Manual and any other materials that we believe will be beneficial to our franchisees. The following are approximate breakdowns of the initial training programs currently in effect for franchisees (Operating Partner), General Managers and Pit Masters.

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Franchisee (Operating Partner) Initial Training Program

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
History and Culture	Up to 8 Hours	0 Hours	Our corporate training Restaurant in Aberdeen, MD or another Restaurant we designate
Marketing and Advertising*	Up to 8 Hours	0 Hours	Our corporate training Restaurant in Aberdeen, MD or another Restaurant we designate
Food Preparation and Service*		Up to 40 Hours	Our corporate training Restaurant in Aberdeen, MD or another Restaurant we designate
Purchasing*	Up to 8 Hours	0 Hours	Our corporate training Restaurant in Aberdeen, MD or another Restaurant we designate
Accounting and Controls*	Up to 8 Hours	0 Hours	Our corporate training Restaurant in Aberdeen, MD or another Restaurant we designate
POS Training*	Up to 8 Hours	0 Hours	Our corporate training Restaurant in Aberdeen, MD or another Restaurant we designate
Total	Up to 40 Hours	Up to 40 Hours	

* If you choose to participate (optional)

General Manager Initial Training Program

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
History and Culture	Up to 8 Hours	0 Hours	Our corporate training Restaurant in Aberdeen, MD or another Restaurant we designate
Marketing and Advertising	Up to 8 Hours	Up to 8 Hours	Our corporate training Restaurant in Aberdeen, MD or another Restaurant we designate
Food Preparation and Service	Up to 8 Hours	Up to 40 Hours	Our corporate training Restaurant in Aberdeen, MD or another Restaurant we designate
Station Training	Up to 8 Hours	Up to 24 Hours	Our corporate training Restaurant in Aberdeen, MD or another Restaurant we designate
Pit Training – Certification Required	Up to 8 Hours	Up to 40 Hours	Our corporate training Restaurant in Aberdeen, MD or another Restaurant we designate

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Catering	Up to 8 Hours	Up to 8 Hours	Our corporate training Restaurant in Aberdeen, MD or another Restaurant we designate
Purchasing	Up to 8 Hours	Up to 8 Hours	Our corporate training Restaurant in Aberdeen, MD or another Restaurant we designate
Accounting and Controls	Up to 8 Hours	Up to 8 Hours	Our corporate training Restaurant in Aberdeen, MD or another Restaurant we designate
POS Training	Up to 4 Hours	Up to 24 Hours	Our corporate training Restaurant in Aberdeen, MD or another Restaurant we designate
Total	Up to 68 Hours	Up to 160 Hours	

Kitchen Manager Initial Training Program

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
History and Culture	Up to 8 Hours	0 Hours	Our corporate training Restaurant in Aberdeen, MD or another Restaurant we designate
Food Preparation and Service	Up to 8 Hours	Up to 40 Hours	Our corporate training Restaurant in Aberdeen, MD or another Restaurant we designate
Station Training	Up to 8 Hours	Up to 24 Hours	Our corporate training Restaurant in Aberdeen, MD or another Restaurant we designate
Pit Training – Certification Required	Up to 8 Hours	Up to 40 Hours	Our corporate training Restaurant in Aberdeen, MD or another Restaurant we designate
Catering	Up to 8 Hours	Up to 8 Hours	Our corporate training Restaurant in Aberdeen, MD or another Restaurant we designate
Purchasing	Up to 8 Hours	Up to 8 Hours	Our corporate training Restaurant in Aberdeen, MD or another Restaurant we designate
Total	Up to 48 Hours	Up to 120 Hours	

Pit Master Initial Training Program

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
History and Culture	Up to 8 Hours	0 Hours	Our corporate training Restaurant in Aberdeen, MD or another Restaurant we designate
Food Preparation and Service	Up to 8 Hours	Up to 40 Hours	Our corporate training Restaurant in Aberdeen, MD or another Restaurant we designate
Pit Training – Certification Required	Up to 8 Hours	Up to 40 Hours	Our corporate training Restaurant in Aberdeen, MD or another Restaurant we designate
Catering	Up to 8 Hours	Up to 8 Hours	Our corporate training Restaurant in Aberdeen, MD or another Restaurant we designate
Total	Up to 32 Hours	Up to 88 Hours	

The hours of classroom training and hands-on training are guidelines by which the training is conducted and may vary. We can amend or shorten training for persons previously trained or with appropriate experience. We may adjust the training course curriculum in the future. We are currently offering the franchisee, General Manager, Kitchen Manager and Pit Master initial training programs periodically as needed. In the future we may offer the initial training programs on a regular schedule, depending upon demand. We do not maintain a regular schedule for supplemental training. We will provide supplemental training on an as needed basis. Supplemental training will vary in length, typically between one and five days, depending upon the changes that have occurred since initial training and the abilities and needs of the individuals. Supplemental training will generally follow the subject outline of initial training, as it then exists, reviewing certain subjects quickly and spending more time in areas that have changed or that the individuals need to review.

Training will be under the supervision of Donna Creager, our Chief Executive Officer, and will be provided by Donna Creager, Bob Creager, our Chief Operating Officer, Marvin Parker, our Director of Brand Operations and Natalie Rayner, our Director of Operations. Donna Creager and Bob Creager each has over 40 years of experience in the restaurant field and over 40 years of experience with our company and its affiliates. Marvin Parker has 12 years of experience in the restaurant field and 12 years of experience with our company and its affiliates. Natalie Rayner has 3 years of experience in the restaurant field and 3 years of experience with our company and its affiliates. More information on Donna's, Bob's, Marvin's and Natalie's backgrounds and experience is disclosed in Item 2. Trainers do not specialize in any subject. Other members of our staff and of our affiliates' staffs may assist in the training program. With our prior approval, franchisee owners of Restaurants and their managers may conduct hands-on training and pre-opening and post-opening on-site assistance.

Item 12

TERRITORY

FRANCHISE AGREEMENT

You will operate your Restaurant within a defined territory described in the Franchise Agreement (the “Designated Area”) only at a specific location that we first must approve. You may operate your Restaurant only at the approved premises and may not relocate the Restaurant without our approval. You must obtain our prior written approval if you wish to relocate your Restaurant. We consider the same factors in reviewing your initial location and any potential new location. You may relocate the Restaurant within the Designated Area if the lease or other occupancy agreement for the site expires or terminates and it is not your fault; if the site is destroyed, condemned or otherwise rendered unusable; or if we and you otherwise agree. You will open the relocated Restaurant for business within 180 days of closing the Restaurant at the previously approved location. You will pay all expenses and liabilities to terminate the lease, build out and furnish the new premises and move if you relocate the Restaurant. You will also de-identify your former location at your expense.

You will receive a protected territory (the “Protected Area”). We will describe the Protected Area in your Franchise Agreement before you sign it. The Protected Area will be determined by negotiation between you and us based on surveys, population density and other factors, and will be set forth in **Exhibit 1** to the Franchise Agreement. We anticipate that the Protected Area will often be defined as the area within a two to five mile radius of your Restaurant, except in high population density areas. Your Protected Area is not dependent upon your achievement of a certain sales volume, market penetration or other contingency. The size of your Protected Area will remain unchanged during the term of the Franchise Agreement. We do not have the right to alter the size of the Protected Area during the term of the Franchise Agreement for any reason.

Except as stated below, and provided that you are in full compliance with the Franchise Agreement, we and/or our affiliates will not own or operate or grant a franchise or license for the operation of another Restaurant using the Marks, at a location within your Protected Area during the term of the Franchise Agreement. Except as expressly limited by the previous sentence, there are no restrictions on us, our affiliates, franchisees or licensees, from soliciting or accepting orders from consumers inside your Protected Area, and we retain all rights with respect to Restaurants, the Marks, the sale of similar or dissimilar products and services, and any other activities we deem appropriate whenever and wherever we desire, including:

- (1) the right to own and operate and to franchise and license others to own and operate, Restaurants that use the Marks and the System at locations outside of the Protected Area;
- (2) the right to own, operate, franchise or license, within and outside the Protected Area, any business concept which is not a Restaurant that uses the Marks and the System, including restaurants operating under names other than the Marks associated with the System; and
- (3) to produce, distribute, and sell, and license others to produce, distribute and sell, food products, beverages, and other products, under the CHAPS PIT BEEF® Mark, the FAMOUS CHAPS PIT BEEF 1987™ Mark or any other mark, directly and indirectly, through employees, representatives, franchisees, licensees, assigns, agents, and others, at wholesale, retail, and otherwise, at any location or via the Internet, “e-commerce” and any similar outlets or distribution methods we determine (including Non-Traditional Locations (defined below), collectively, “Alternate Channels of Distribution”), without restriction by any right you may have, and without regard to the location of any Restaurant, and these other stores or methods of

distribution may compete with your Restaurant and may adversely affect your sales. You have no right to share, nor do you expect to share, in any of the proceeds we or our franchisees or licensees or any other party receives in connection with any Restaurant, other restaurant, or Alternative Channel of Distribution.

As noted in paragraph (3) above, we reserve the right to use alternative distribution, including the Internet, within your Protected Area, under our principal trademarks or different trademarks, and we are not required to pay you any compensation for soliciting or accepting orders inside your Protected Territory or if we exercise any of the rights specified above inside (or outside) your Protected Territory.

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

You do not receive the right to acquire additional franchises in your area. You have no options, rights of first refusal or similar rights to acquire additional franchises in or around your Restaurant under the Franchise Agreement except you will have the following right of first refusal.

Subject to your compliance with the franchise agreement, if we in our sole business judgment determine that the specific size, nature and/or demographics of the Designated Area allow for the operation of another Restaurant within the Designated Area, and we intend to establish another Restaurant within the Designated Area (the “Additional Restaurant”), then you will have the right of first refusal to purchase a franchise on our then standard terms and conditions being offered by us to develop and operate the Additional Restaurant, subject to the terms of the applicable franchise agreement, but only if:

- (a) you previously accepted all rights of first refusal offered to you relating to the Designated Area and as a result you (or entities under the same ownership as you) operate or have the right to develop all of the Restaurants within the Designated Area other than any “Non-Traditional Restaurants” (as defined below);
- (b) we in our sole business judgment are satisfied that you have the necessary financial and managerial resources to operate both your Restaurant, any other Restaurants you currently operate or have under development pursuant to effective franchise agreements with us, plus the Additional Restaurant and you are not in default under any Franchise Agreement with us; and
- (c) the Additional Restaurant is not a “Non-Traditional Restaurant.” A “Non-Traditional Restaurant” means a location that offers products, beverages, and other products, under the CHAPS PIT BEEF® Mark, the FAMOUS CHAPS PIT BEEF 1987™ Mark or any other Mark, that is not a traditional location, and includes separate areas or concession departments within airports, bus and railroad terminals, sports arenas and stadiums, highway rest stops, gasoline service stations, supermarkets, convenience stores, department stores, hospitals, parks, universities, schools, convention centers, casinos, military bases, office buildings, business complexes, apartment buildings, condominiums, dormitories, other high density locations and other similar non-restaurant locations, and co-branded locations.

You do not have a right of first refusal relating to any Non-Traditional Restaurant in the Designated Area (except with respect to the Protected Area, as provided below), nor do you have any right of first refusal in any other Alternate Channels of Distribution. You may not receive a Designated Area in **Exhibit 1** relative to a right of first refusal if you are being granted a franchise to develop and operate a Restaurant within a geographic area that was previously a defined Designated Area under another franchise agreement.

If applicable, we will give you written notice of our intent to establish the Additional Restaurant in the Designated Area and the right of first refusal offer, together with our then effective Franchise Disclosure Document. You must give us written notice of your acceptance or rejection of the right of first refusal by no later than 30 days from the date on which we give you written notice, but no sooner than 15

days after you received the Franchise Disclosure Document. If you accept the right of first refusal, you must, subject to compliance with disclosure requirements, execute and enter into a franchise agreement (on our then standard terms and conditions) and related agreements as we require in respect of the Additional Restaurant and must make all payments required under the new franchise agreement and the other related agreements when due and must then sign a lease and open the Restaurant for business according to the terms and conditions of the new franchise agreement.

If you reject the right of first refusal, or fail to accept the right of first refusal in writing within the timeframe set out above, or if you fail to meet the conditions of clauses a, b or c above and we do not have to offer you the right of first refusal, we will be entitled to immediately offer and grant a franchise or license to develop and operate the Additional Restaurant to any other party or develop and operate the Additional Restaurant ourselves, or through an affiliate. In those circumstances, you will no longer have any right of first refusal in the Designated Area.

Subject to your compliance with the franchise agreement, and if you still have the general right of first refusal in the Designated Area described above, you will also have a limited right of first refusal relating to any Non-Traditional Restaurant in the Protected Area. If we in our sole business judgment intend to establish a Non-Traditional Restaurant within the Protected Area that may be developed and operated by a franchisee of ours (rather than, for example, only the owner or licensed manager of the premises of the Non-Traditional Restaurant) and we determine that you are otherwise qualified to own and/or operate the Non-Traditional Restaurant, then you will have the right of first refusal to purchase a franchise on our then standard terms and conditions being offered by us to develop and operate the Non-Traditional Restaurant, subject to the terms of the applicable franchise agreement. The procedures for notice of the right of first refusal offer and your acceptance will be the same as described above, provided that the franchise agreement will be on our then standard terms and conditions for a Non-Traditional Restaurant. The consequences of your rejection, failure to accept or failure to meet the conditions to exercise the right of first refusal will be the same as above, and we will be entitled to immediately offer and grant a franchise or license to develop and operate the Non-Traditional Restaurant to any other party or develop and operate the Non-Traditional Restaurant ourselves or through an affiliate, without any liability or obligation to you, and you will no longer have any right of first refusal in the Protected Area with regard to Non-Traditional Restaurants.

As of the effective date of this disclosure document, we have not established or franchised, and have no plans to establish or franchise, other businesses selling or leasing similar products or services under different trademarks within the United States, but we reserve the right to do so in the future.

We do not restrict you from soliciting or accepting orders from consumers outside your Protected Area to be fulfilled from your Restaurant, but as noted above, you do not have the right to use Alternate Channels of Distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside your Protected Area. You may use the Internet to market and drive consumer orders to your Restaurant, subject to our standards and requirements. You are authorized to provide catering services (customer orders for off premises consumption of products for group gatherings and events) and to deliver products prepared and cooked at the Restaurant pursuant to orders placed by customers in person, over the telephone or over the Internet through social media or other electronic communication, subject to our standards and requirements provided in the Manual or otherwise. There are no restrictions as to the geographic area from which we, our affiliates, you and other franchisees may obtain business by providing catering and delivery services, subject to our standards and requirements.

We and other franchisees are entitled to conduct marketing activities (especially advertising on the Internet and through social media, in newspapers, magazines, radio and television) directly or through others, and such activities may be received by persons within the Protected Area even though they are aimed principally outside the Protected Area.

Continuation of your right to operate your Restaurant is not dependent upon achievement of a certain volume, market penetration or other contingency.

MULTI-UNIT DEVELOPMENT AGREEMENT

We will consider approval of proposed future sites under the Multi-Unit Agreement and any associated protected territories using our then-current standards for sites and protected territories. You will be granted a protected development area in which we will not operate or franchise others to operate a CHAPS PIT BEEF® Restaurant or FAMOUS CHAPS PIT BEEF 1987™ Restaurant during the term of the Multi-Unit Agreement, provided you comply with the Development Schedule and are not in default under your Multi-Unit Agreement and Franchise Agreement(s), but subject to our rights to operate and grant to others the right to operate Restaurants at any location outside the Development Area and to sell proprietary products of the System to wholesale and retail businesses and through other distribution channels inside and outside the Development Area as described above under the summary for the Franchise Agreement.

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

The Multi-Unit Agreement does not grant you any right to use the Marks, or to operate a Restaurant. These rights are only granted by a Franchise Agreement, which must be signed for each Restaurant, and the terms of which may differ from the terms contained in the Franchise Agreement being used on the date the Multi-Unit Agreement is executed, except for the initial franchise fee, Royalty and advertising expenditures. Your continuing rights within the Development Area are contingent on compliance with the Development Schedule for each Development Period as specified in the Multi-Unit Agreement. Continuation of your Development Area is not otherwise dependent upon achievement of a certain sales volume, or other contingency, but we may terminate the Multi-Unit Agreement if you fail to meet your development obligations, or we may take other action to address your default, such as reducing the size of the Development Area, reducing the number of Restaurants to be developed or allowing others to develop Restaurants in the Development Area. Except for failure to meet the Development Schedule, we may not modify your Development Area for any other reason. The Development Area may otherwise be altered only by an agreed, written modification to the Multi-Unit Agreement executed by the parties and will remain unchanged during the term of the Multi-Unit Agreement even if the population changes, except our rights if you fail to meet the Development Schedule. Except as described above under the summary for the Franchise Agreement, you have no contractual right to acquire additional franchises within your Development Area or options for new Development Areas. We have the right to operate and grant to others the right to operate CHAPS PIT BEEF® Restaurants and FAMOUS CHAPS PIT BEEF 1987™ Restaurants at any location outside the Development Area and to sell proprietary products of the System to wholesale and retail businesses and through other distribution channels inside and outside the Development Area and we are not required to pay you if we exercise any of these rights outside the Development Area.

Item 13 TRADEMARKS

Under the Franchise Agreement, we grant you the right and license to use the name and mark CHAPS PIT BEEF® or FAMOUS CHAPS PIT BEEF 1987™ and other Marks we designate in the operation of your Restaurant.

The Marks currently include the following principal Marks that are owned by us and registered on the Principal Register in the United States Patent and Trademark Office (“USPTO”):

Mark	Registration Number	Registration Date	International Class of Goods
	5,065,662	October 18, 2016	29
CHAPS PIT BEEF	4,954,666	May 10, 2016	29

Chaps Pit Beef, Inc. had owned the two registered CHAPS PIT BEEF® Marks and had licensed to us the right to use the Marks it owned and to sublicense them to our franchisees under a license agreement between Chaps Pit Beef, Inc. and us dated January 23, 2017. Chaps Pit Beef, Inc. assigned to us the two registered CHAPS PIT BEEF® Marks on April 27, 2021 and we now own those Marks.

The Marks also include the standard character Mark **FAMOUS CHAPS PIT BEEF 1987™** and the following design Mark which we own (collectively, the “FAMOUS CHAPS PIT BEEF 1987 Marks”).



Neither of these FAMOUS CHAPS PIT BEEF 1987 Marks has been registered on the Principal Register of the United States Patent and Trademark Office. An application for registration is pending for the standard character mark (serial number 90687085 filed May 3, 2021) and for the design Mark (serial number 90803078 filed June 30, 2021). The following applies to the two FAMOUS CHAPS PIT BEEF 1987 Marks:

We do not have a federal registration for our principal trademark. Therefore, our trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

This list does not include all of the Marks we grant you the right to use in the operation of your Restaurant. We may add or subtract from this list.

All required affidavits and renewals pertaining to these Marks have been filed. None of these Marks is currently registered under any state law.

There are no currently effective material determinations of the United State Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor are there any pending infringement, opposition, or cancellation proceedings or material litigations, involving the principal Marks. There are no agreements presently in effect which significantly limit our rights to use or license the use of the Marks in any manner material to the franchise. Furthermore, we do not actually know of either superior prior rights or infringing uses that could materially affect your use of the Marks in any state.

You must notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any person's claim of any rights in any Mark, and you may not communicate with any person other than us and our attorneys, and your attorneys, regarding any infringement, challenge, or claim. Under the Franchise Agreement, we have the right to control any litigation or administrative proceeding with respect to the Marks. You will cooperate in the prosecution or defense of any action we undertake. We may take the action we deem appropriate (including no action) and control exclusively any litigation, USPTO proceeding, or other administrative proceeding arising from any infringement, challenge, or claim. You must assist us in protecting and maintaining our interests in any litigation or USPTO or other proceeding.

If we decide that you should modify or discontinue your use of any Mark and/or use one or more additional or substitute Marks, you must comply with this decision. We are not obligated by the Franchise Agreement or otherwise to protect any or all rights that you have to use the Marks or to protect you against claims of infringements or unfair competition with respect to the Marks. The Franchise Agreement does not provide for you to receive compensation for any expenses, losses or damages sustained by you as a result of any addition, modification, substitution or discontinuation of any of the Marks, including the tangible costs of changing any Mark.

Under the Franchise Agreement, you agree not to contest, directly or indirectly, our or our affiliate's ownership, title, right or interest in the Marks, trade secrets, methods, procedures and marketing techniques that are part of our business or to contest our or our affiliate's sole right to register, use or license others to use the Marks, trade secrets, methods, procedures and techniques.

Item 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

There are no patents or pending patent applications that are material to the franchise. We and Chaps Pit Beef, Inc. claim copyright protection in the Manual (which contains Confidential Information and trade secrets), advertising and marketing materials, our website, menus, and similar items used in operating, advertising and promoting Restaurants. Neither we nor Chaps Pit Beef, Inc. has registered these copyrights with the United States Registrar of Copyrights, but need not do so at this time to protect them. You may use these items only as we specify while operating your Restaurant and must stop using them if we so direct you.

Our affiliate Chaps Pit Beef, Inc. owns certain intellectual property including the Manual, confidential recipes for food products and distinctive service accessories, other proprietary information, proprietary marks, brand, trade dress, design, décor, image, lay-out, know-how, trade secrets, recipes,

business methods, business forms and business policies relating to the establishment, development and operation of Restaurants, which form a portion of the System, together with the Marks we own. Chaps Pit Beef, Inc. licenses to us the right to use portion of the System it owns and to sublicense that intellectual property to our franchisees under a license agreement between Chaps Pit Beef, Inc. and us dated January 23, 2017. The term of the license agreement lasts until December 31, 2067. Chaps Pit Beef, Inc. may terminate the license agreement with cause if (i) we are dissolved or become insolvent, (ii) we assign our rights without consent, (iii) we fail to pay the license fee and the default remains uncured for 30 days after written notice, or (iv) we, our affiliates, franchisees or other sub-licensees misuse the System or the Marks or otherwise breach the license agreement and the default remains uncured for 20 days after written notice. We may terminate the license agreement at any time by written notice given at least 90 days in advance of the stated termination date.

There currently are no effective material determinations of the United States Patent and Trademark Office, the United States Copyright Office, or any court regarding any of the copyrighted materials. Except for the license from Chaps Pit Beef, Inc. to us with respect to certain portions of the System it has licensed to us, there are no agreements in effect which significantly limit our right to use or license the copyrighted materials. There are no infringing uses actually known to us which could materially affect your use of the copyrighted materials. We are not required by any agreement to protect or defend copyrights or any patents or to defend you against claims arising from your use of any patented or copyrighted items. We and/or Chaps Pit Beef, Inc. may control any action we and/or Chaps Pit Beef, Inc. choose to bring, even if you voluntarily bring the matter to our attention.

Our Manual and other materials contain Confidential Information (some of which constitutes trade secrets under applicable law). This information includes site selection criteria; recipes; training and operations materials; methods, formats, specifications, standards, systems, procedures, food preparation techniques, sales and marketing techniques, knowledge, and experience used in developing and operating Restaurants; marketing and advertising programs for Restaurants; any computer software or similar technology that is proprietary to us or the System; knowledge of specifications for and suppliers of products and supplies; knowledge of the operating results and financial performance of Restaurants other than your Restaurant; and graphic designs and related intellectual property. We may revise the contents of the Manual, and you must comply with each new or changed standard. You must ensure that your copies of the Manual are kept current at all times. In the event of any disputes as to the contents of the Manual, the terms of the master copy we maintain at our home office will be controlling. The Manual will remain our and/or Chaps Pit Beef, Inc.'s sole property. The Manual is a compilation of manuals, books, binders, videos or other electronic media, Intranet postings and other materials. You must keep any physical copies of any portions of the Manual in a secure place.

We and Chaps Pit Beef, Inc. continue to evaluate and refine the System. We reserve the right to make changes to the System in the future, which could include changes to the management team, the site requirements, the menu, the ingredients and portions of individual menu items, the nutritional information of the existing and any future approved menu items, the menu boards and other aspects of the System. If we change any specification, standard or operating procedure applicable to the operation of your Restaurant or change the Marks or all or any part of the System, through changes to the Manual or notice to you, you will take all actions, at your expense, to implement these changes.

All ideas, concepts, techniques, or materials concerning Restaurants, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our and/or Chaps Pit Beef, Inc.'s sole and exclusive property, part of the System, and works made-for-hire for us and/or Chaps Pit Beef, Inc. To the extent any item does not qualify as a "work made-for-hire" for us and/or Chaps Pit Beef, Inc., you assign ownership of that item, and all related rights to that item, to us and/or Chaps Pit Beef, Inc. and must take whatever action (including signing assignment or other documents) we and/or Chaps Pit Beef, Inc. request to show

our and/or Chaps Pit Beef, Inc.'s ownership or to help us and/or Chaps Pit Beef, Inc. obtain intellectual property rights in the item.

You may not use our confidential information in an unauthorized manner. You must take reasonable steps to prevent improper disclosure to others and use non-disclosure and non-competition agreements with those having access in a form satisfactory to us, giving us and Chaps Pit Beef, Inc. the right to enforce the agreement as third-party beneficiaries. The form attached as **Exhibit G** to this disclosure document is currently satisfactory to us, except that the noncompetition provisions do not need to be included when only confidentiality and/or ownership of creations must be addressed. We may not require the noncompetition covenants from employees other than the General Manager, Kitchen Manager and Pit Master.

We also consider our trade dress (i.e., elements of the method and style of doing business) inherently and uniquely distinctive and protectable under applicable federal and state law.

You will promptly notify us of any unauthorized use or misappropriation of the Manual or any material in which Chaps Pit Beef, Inc. and/or we claim copyright protection, any trade secrets or Confidential Information, knowledge, or know-how. You will also cooperate in the prosecution or defense of any action related to the Confidential Information, the Manual or any material in which Chaps Pit Beef, Inc. and/or we claim copyright protection, any trade secrets or Confidential Information, knowledge, or know-how, and will render any assistance Chaps Pit Beef, Inc. and/or we think is reasonably required to assist in this prosecution or defense. If you are compelled by a court or other body of competent jurisdiction to disclose any of the Confidential Information, the Manual or any material in which Chaps Pit Beef, Inc. and/or we claim copyright protection, any trade secrets or confidential information, knowledge, you will inform us by written notice and will provide reasonable assistance in obtaining and enforcing a protective order or other appropriate means of safeguarding the information required to be disclosed. You may then disclose only so much of these materials or information as is legally required to be disclosed. You further agree to notify us promptly of any litigation instituted by any person or legal entity against you involving these materials or information. If Chaps Pit Beef, Inc. and/or we, in Chaps Pit Beef, Inc.'s and/or our sole and exclusive business judgment, undertake the defense or prosecution of any litigation relating to your use of these materials or information, you agree to sign any and all documents, and to render any assistance as may, in the opinion of the lawyers for Chaps Pit Beef, Inc. and/or us, be reasonably necessary to carry out the defense or prosecution.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Franchise Agreement and Multi-Unit Agreement

We do not require that you participate personally in the direct operation of your Restaurant. You must employ a full-time General Manager who will oversee the operation of your Restaurant, including marketing and promotion, basic maintenance, scheduling, inventory, control the controllable costs, budget sales, and oversee training of all of your employees working in your Restaurant. Even if you do participate personally in the direct operation of your Restaurant, you must still employ a full-time General Manager. If you develop multiple Restaurants under a Multi-Unit Agreement, you must employ a full-time General Manager for each Restaurant. If you are a business entity or more than one natural person, you must designate a principal owner of the business entity or ownership group ("Operating Partner"). We will be authorized to communicate with the Operating Partner concerning the operation of your Restaurant and all matters related to the Franchise Agreement. We will also be authorized to communicate with your General Manager concerning all operational, promotional, and marketing aspects of your Restaurant. The General Manager must directly supervise the operation of the Restaurant and be responsible for the day-to-day management and proper operation of the Restaurant. You must also

employ a full-time Kitchen Manager and a full-time Pit Master.

The Operating Partner must: (1) have an equity ownership of at least 10% in the franchise or in a business entity franchisee; (2) have satisfactorily completed our initial training program for franchisees; and (3) be approved by us. Your General Manager, Kitchen Manager and Pit Master and any replacements must meet our educational and experience standards and must also complete to our satisfaction our General Manager, Kitchen Manager and Pit Master initial training programs, respectively. If you or your Operating Partner will not participate personally in the direct operation of your Restaurant, or if you or your Operating Partner will participate personally but do not have at least two years' experience as a general manager of a restaurant, your General Manager for each Restaurant must have at least two years' experience as a general manager of a restaurant in addition to meeting our other educational and experience standards. We do not dictate whom you may hire as a General Manager, Kitchen Manager or Pit Master but we must approve the persons you select before they assume their job positions. Your General Manager, Kitchen Manager and Pit Master do not have to have an equity ownership in your franchise or business entity, but the individuals must commit to comply with our and training requirements. You and all other owners of the franchise or developer agree not to disclose our confidential or proprietary information during or after the term of the Franchise Agreement and any Multi-Unit Agreement, and to assign to us and Chaps Pit Beef, Inc. ownership of all creations relating to your Restaurant and the System. You also agree that you will not have any direct or indirect association with a competitive business, as defined in the Franchise Agreement and the Multi-Unit Agreement, during the term of the agreement and for 3 years after termination, expiration or transfer of the Franchise Agreement, at the location of your Restaurant, within the Protected Area of your Restaurant, or within a five mile radius of any Restaurant open or under construction on the date the Franchise Agreement expires or terminates or your interest is transferred. Your General Manager, Kitchen Manager and Pit Master must also agree in writing to our confidentiality, ownership of creations and noncompetition covenants in a form satisfactory to us, giving us and Chaps Pit Beef, Inc. the right to enforce the agreement as third-party beneficiaries. The form attached as **Exhibit G** to this disclosure document is currently satisfactory to us. We may modify our requirements on a case-by-case basis in our sole business judgment.

We require that you (or your Operating Partner) personally supervise your development of Restaurants under any Multi-Unit Agreement. You must develop your Development Area according to the Development Schedule set out in the Multi-Unit Agreement.

If you are a married individual, we will require both you and your spouse to sign the Franchise Agreement, any Multi-Unit Agreement and related agreements as individuals. You and your spouse, as parties to these agreements, will be subject to the confidentiality, ownership of creations and noncompetition covenants in the Franchise Agreement and any Multi-Unit Agreement, as well as other provisions of these agreements that are applicable, and will both be personally liable for the financial and other obligations under these agreements. Landlords may require you and your spouse to be personally liable and either sign the lease agreement and related agreements as individuals or guarantee your entity's obligations. We will permit the Franchise Agreement and any Multi-Unit Agreement to be assigned to a corporation or limited liability company formed for the convenience of ownership of the Restaurant and the development rights, as disclosed in Item 17, but you and your spouse will remain personally liable and will guarantee the entity's obligations to us. You and your spouse will also continue to be bound by the terms and conditions of the Franchise Agreement and any Multi-Unit Agreement which remain applicable to them, including provisions concerning the Marks, confidential information and the Manual, records and reports, transfers, obligations upon termination, expiration, or transfer, covenants, indemnification, enforcement and the general provisions. Any new owners of the franchisee entity and any developer entity and their spouses and any new spouses of an owner of the franchisee entity and any developer entity must also guarantee the entity's obligations to us and agree to be personally liable for the financial obligations under the Franchise Agreement and any Multi-Unit Agreement and to be bound by the

applicable terms and conditions of the Franchise Agreement and any Multi-Unit Agreement. The form of Assignment and Assumption Agreement you must sign to confirm your continuing obligations and enable you to transfer your rights and obligations under the Franchise Agreement and any Multi-Unit Agreement as franchisee and developer, as applicable, to a corporation or limited liability company is attached as **Exhibit E**.

You must obtain confidentiality agreements, in a form satisfactory to us, from all managerial and other employees that we specify and from your owners and their spouses and others to whom any confidential information is communicated. The confidentiality agreement will state that the person signing will not communicate confidential information to anyone else or allow the use of any confidential information by anyone else. You recognize that such data and information are proprietary and confidential information of ours and must be kept and maintained by you as trade secrets. A form of confidentiality agreement that is currently acceptable to us is attached as **Exhibit G** to this disclosure document (the ownership of creations provisions will generally apply but we may not require the noncompetition covenants from employees other than the General Manager, Kitchen Manager and Pit Master).

Each person who becomes a shareholder or member of the franchisee entity or any developer entity, or the spouse of a shareholder or member, during the term of the Franchise Agreement and Multi-Unit Agreement, as applicable, shall also sign an agreement in the form we then prescribe guaranteeing the obligations of the entity under the Franchise Agreement and any Multi-Unit Agreement, and agreeing to be bound jointly and severally by the applicable provisions of the agreements, which may include an agreement to be added to the assignment and assumption agreement, or a continuing guaranty and a separate confidentiality and noncompetition agreement satisfactory to us. You will own 100% of the ownership interest in the transferee corporation or limited liability company, except that a minority of ownership interests in the transferee corporation or limited liability company may be owned by one or more persons who have agreed to guarantee the obligations of the transferee and have agreed to be bound jointly and severally by all applicable provisions of the Franchise Agreement and any Multi-Unit Agreement pursuant to a continuing guaranty in form acceptable to us. A form of continuing guaranty that is currently acceptable to us is attached as **Exhibit I** to this disclosure document.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale and provide only those goods and services that we authorize and may not sell or offer for sale products or services which have not been authorized or that do not meet our standards and specifications. You must offer all goods and services we authorize and designate as required for all franchisees. We may authorize local options for goods and services, items under test, and may change the types of authorized goods and services. There are no limits on our right to do so. These limitations include requirements that you use only menus which comply with the style, pattern and design prescribed by us and that all menu items meet our uniform standards of quality and quantity. Similarly, you are prohibited from using the premises for any purpose other than the operation of the Restaurant.

You may not operate the Restaurant from any location other than the site approved by us. We do not impose any restrictions or conditions that limit your access to customers but you may not you may not take part in any mail order, catalog or Internet business or any other alternate channel of distribution. We do not impose any other restrictions in the Franchise Agreement or otherwise, as to the goods or services that you may offer or as to the customers to whom you may sell, except you may solicit sales of products or services offered by your Restaurant via the Internet only in connection with advertising for products and services to be delivered at or from your Restaurant in the manner we permit. You are authorized to provide catering services and to deliver products prepared and cooked at the Franchised Restaurant pursuant to orders placed by customers in person, over the telephone or through social media or other electronic communication, subject to our standards and requirements provided in the Manual or otherwise. There are no restrictions as to the geographic area from which we, our affiliates, you and other

franchisees may obtain business by providing catering and delivery services, subject to our standards and requirements.

You may engage only in the retail sale of authorized products and services. You may not engage in wholesale operations or act as a wholesale provider of products or services to any third party.

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Item 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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.

THE FRANCHISE RELATIONSHIP

FRANCHISE AGREEMENT:

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term	1.1(iii)	10 years, unless terminated earlier
b. Renewal or extension of the term	1.1(iii) and 13	Two successor franchise agreements, each having a term of 5 years.
c. Requirements for franchisee to renew or extend	13	Include notice, no material default, maintain rights to occupy the Restaurant, sign new successor franchise agreement, pay initial franchise fee, refurbish or relocate, if necessary, sign a release. If you seek to enter into a successor franchise agreement at the expiration of the initial term or any successor franchise agreement term, you will be asked to sign a new franchise agreement that may contain terms and conditions materially different from those in your previous franchise agreement, such as different fee requirements and territorial rights.
d. Termination by franchisee	14.1	If you are in substantial compliance, upon breach by us that is not cured 180 days after notice.
e. Termination by franchisor without cause	None	Not applicable.
f. Termination by franchisor with cause	14.2, 14.3 and 14.4	We may terminate your Franchise Agreement only if you default.
g. "Cause" defined – curable defaults	14.4	You have 30 days to cure defaults not listed as having no cure period under Section 14.2 and Section 14.3, including failure to file reports or financial statements; except the cure period is 7 days for failure to pay Royalty Fees, or Advertising Fund contributions, or other amounts due to us, our affiliates or approved suppliers and vendors.

Provision	Section in franchise or other agreement	Summary
h. “Cause” defined – non-curable defaults	14.2, 14.3	Include failure to select suitable location; failure to secure location by lease or purchase; failure to open; insolvency, bankruptcy, abandonment of the franchise, conviction of a felony or crime likely to adversely affect reputation of System and goodwill associated with Marks, operation of the Restaurant as a safety hazard, material misrepresentation, unauthorized transfers, misuse of Marks, unauthorized disclosure of Confidential Information, failure to comply with law or regulation, unauthorized seizure or foreclosure of the Restaurant, failure to complete training; default under another agreement with us or an affiliate beyond any applicable cure period (excluding a Multi-Unit Agreement), upon third failure within any 12 months.
i. Franchisee’s obligations on termination/non-renewal	15	Obligations include payment of amounts due us and our affiliates, cease operations, complete de-identification; cease using Marks, return Manual and other records and materials, cancel assumed names, transfer if we request or otherwise cancel telephone numbers, directory listings, Internet numbers, domain names and email addresses, promptly pay landlord and vendors and suppliers (also see r, below).
j. Assignment of contract by franchisor	12.1	No restriction on our right to assign.
k. “Transfer” by franchisee – definition	12.2, 12.3	Includes transfer of Franchise Agreement or assets, or ownership change of entity.
l. Franchisor’s approval of transfer by franchisee	12.2, 12.3	We have the right to approve all transfers.

Provision	Section in franchise or other agreement	Summary
m. Conditions for franchisor approval of transfer	12.3, 12.4	We will not unreasonably withhold approval. Conditions include qualification of transferee; discharge of your obligations or assumption by transferee; you have paid all amounts due us and our affiliates; transferee satisfactorily completes training; lessor consents to transfer; new franchise agreement signed; transfer fee paid; any sales commission paid us if we produced the transferee; premises refurbished and brought into compliance; you and your owners sign release; approval of terms of sale; you and owners reaffirm post-termination covenant; you subordinate transferee's obligations to you to transferee's obligations to us, if applicable; we do exercise right of first refusal; you do not retain security interest in Restaurant assets without our consent. If the individuals signing the agreement transfer to a corporation or limited liability company for convenience of ownership: entity must be newly organized and activities will be confined exclusively to operation of the Restaurant; you will own 100% of the ownership interest in the entity except minority interest may be owned by persons who agreed to guarantee obligations of the transferee and to be bound jointly and severally by the Franchise Agreement; and you will satisfy all other documentation requirements; you guarantee the obligations of the entity and remain bound by the terms of the agreement that remain applicable to you; you and entity sign an assignment and assumption agreement.
n. Franchisor's right of first refusal to acquire franchisee's business	12.6	We can match any offer for sale of your business.
o. Franchisor's option to purchase franchisee's business	14.5	If the Franchise Agreement expires or terminates, we have the option, within 30 days after determining purchase price, to acquire assets and inventory. We also have the option under the collateral assignment of lease to assume the lease.
p. Death or disability of franchisee	12.5	Franchise must be assigned by estate to an approved buyer within 12 months.
q. Non-competition covenants during the term of the franchise	5.3	No involvement of any kind in competing business anywhere; no diversion of business or customer of the Restaurant.

Provision	Section in franchise or other agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	15.4	No involvement for 2 years in competing business at the Location, within the Protected Area or within 5 mile radius of the Location of another Restaurant open or under construction; no diversion of business or customer of the Restaurant.
s. Modification of the agreement	16.7	Franchise Agreement only modified in writing, but we may change Manual and System standards.
t. Integration/merger clause	16.6	Only the terms of the Franchise Agreement and disclosure document are binding (subject to state law, see Exhibit N). Any statements or promises not in the Franchise Agreement or in this disclosure document should not be relied upon and may not be enforceable.
u. Dispute resolution by arbitration or mediation	16.4	Non-binding mediation in Baltimore, Maryland or a location in a city we or the mediation service select close to where our headquarters are then located (subject to state law, see Exhibit N). If the dispute is not settled through discussion or mediation within 120 days after delivery of a dispute notice, any party may commence arbitration. Arbitration will be held before a single arbitrator in Baltimore, Maryland under the JAMS Comprehensive or Streamlined Arbitration Rules for non-consumer disputes. We may seek injunctive relief in any appropriate forum for unauthorized use of our trademarks, the System, or copyrighted items, unauthorized disclosure of Confidential Information or for violation of any non-competition covenants.
v. Choice of forum*	16.4	Mediation and arbitration will be held in Baltimore, Maryland or where our offices are then located (subject to state law, see Exhibit N). We may seek injunctive relief in any appropriate forum for unauthorized use of our trademarks, the System, or copyrighted items, unauthorized disclosure of Confidential Information or for violation of any non-competition covenants.
w. Choice of law*	16.4	Except for Federal Arbitration Act and other federal laws, Maryland law applies; if we move our headquarters, we may choose to have the law of the new state apply by giving you notice within 6 months of our move (subject to state law, see Exhibit N).

* * * * *

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.

MULTI-UNIT AGREEMENT

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term	III	Completion of Development Schedule unless earlier terminated
b. Renewal or extension of the term	None	Not Applicable.
c. Requirements for franchisee to renew or extend	None	Not Applicable.
d. Termination by franchisee	IX.D.	If you are in substantial compliance, upon breach by us that is not cured 60 days after notice.
e. Termination by franchisor without cause	None	Not Applicable.
f. Termination by franchisor with cause	IX	We may terminate Development rights only if you default, including a default under the Franchise Agreement.
g. “Cause” defined – curable defaults	IX.B.	You have 30 days to cure defaults other than those in (h) below.
h. “Cause” defined – non-curable defaults	IX.A.	Abandonment of the development relationship, failure to meet the Development Schedule, bankruptcy, insolvency, fail to pay a final judgment or a levy of execution granted against development rights or any of your Restaurants, conviction of a felony or crime likely to adversely affect reputation of System and goodwill associated with Marks, misuse of Marks, unauthorized disclosure of Confidential Information or violation of noncompete, termination of a Restaurant Franchise Agreement for your default, unauthorized transfers, material misrepresentation or withholding of information, upon third failure within any 24 months.
i. Franchisee’s obligations on termination/non-renewal	X	Obligations include return of Manual, Confidential Information and other materials, payment of amounts due, cease to use Confidential Information (also see r, below).
j. Assignment of contract by franchisor	XI.A.	No restriction on our right to assign.
k. “Transfer” by franchisee – definition	XI.B	Includes transfer of Multi-Unit Agreement or assets, or ownership change.

Provision	Section in franchise or other agreement	Summary
l. Franchisor's approval of transfer by Franchisee	XI.B	We have the right to approve all transfers but will not unreasonably withhold approval.
m. Conditions for franchisor approval of transfer	XI.C, XI.D.	Multi-Unit Agreement must be transferred with all Franchise Agreements for Restaurants developed under the Multi-Unit Agreement, to the same transferee; all conditions under Franchise Agreement described above in the table for the Franchise Agreement apply; no transfer (except to an entity for convenience of ownership) until you have signed at least one Franchise Agreement and opened at least 60% of Restaurants required to be opened under the Development Schedule; separate Multi-Unit Agreement transfer fee paid.
n. Franchisor's right of first refusal to acquire franchisee's business	XI.C.	We can match any offer for sale of your development rights as required under the Franchise Agreement.
o. Franchisor's option to purchase franchisee's business	None	Not Applicable
p. Death or disability of franchisee	XI.C.	Deemed a transfer, see (l and m) above. Must be assigned by estate to an approved buyer within 12 months as required under the Franchise Agreement.
q. Non-competition covenants during the term of the franchise	XII	No involvement of any kind in competing business anywhere; no diversion of business or customer of your Restaurants.
r. Non-competition covenants after the franchise is terminated or expires	XII	No involvement for continuous uninterrupted 2 years in competing business at the Location of any of your Restaurants, within the Development Area or within 5 mile radius of the Location of another Restaurant open or under construction; no diversion of business or customer of your Restaurants.
s. Modification of the agreement	XV.G.	Multi-Unit Agreement only modified in writing, but we may change Manual and System standards.
t. Integration/merger clause	XV.F.	Only the terms of the Multi-Unit Agreement and disclosure document are binding (subject to state law, see Exhibit N). Any statements or promises not in the Multi-Unit Agreement or in this disclosure document should not be relied upon and may not be enforceable.

Provision	Section in franchise or other agreement	Summary
u. Dispute resolution by arbitration or mediation	XV.D.	Non-binding mediation in Baltimore, Maryland or a location in a city we or the mediation service select close to where our headquarters are then located (subject to state law, see Exhibit N). If the dispute is not settled through discussion or mediation within 120 days after delivery of a dispute notice, any party may commence arbitration. Arbitration will be held before a single arbitrator in Baltimore, Maryland under the JAMS Comprehensive or Streamlined Arbitration Rules for non-consumer disputes. We may seek injunctive relief in any appropriate forum for unauthorized use of our trademarks, the System, or copyrighted items, unauthorized disclosure of Confidential Information or for violation of any non-competition covenants.
v. Choice of forum*	XV.D.	Mediation and arbitration will be held in Baltimore, Maryland or where our offices are then located (subject to state law, see Exhibit N). We may seek injunctive relief in any appropriate forum for unauthorized use of our trademarks, the System, or copyrighted items, unauthorized disclosure of Confidential Information or for violation of any non-competition covenants.
w. Choice of law*	XV.D.	Except for Federal Arbitration Act and other federal laws, Maryland law applies; if we move our headquarters, we may choose to have the law of the new state apply by giving you notice within 6 months of our move (subject to state law, see Exhibit N).

A provision in your Franchise Agreement and Multi-Unit Agreement that terminates the franchise on your bankruptcy may not be enforceable under Title 11, United States Code, Section 101 *et seq.*

Item 18 PUBLIC FIGURES

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

You do not have the right to use the name of a public figure in your promotional efforts or advertising without prior written approval from us.

Item 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Donna Creager, Chief Executive Officer, at Post Office Box 187, Upper Falls, Maryland 21156 and telephone number 410-592-7952, the Federal Trade Commission, and the appropriate state regulatory agencies.

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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	1	2	+1
	2020	2	4	+2
	2021	4	4	0
Company-Owned*	2019	2	2	0
	2020	2	2	0
	2021	2	2	0
Total Outlets*	2019	3	4	+1
	2020	4	6	+2
	2021	6	6	0

* The number of company-owned outlets shown includes the number of restaurants operated by our affiliates.

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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*
All States	2019	0
	2020	0
	2021	0
Totals	2019	0
	2020	0
	2021	0

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TABLE NO. 3

**Status of Franchised Outlets
For years 2019 to 2021**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of the Year
Delaware	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Maryland	2019	1	0	0	0	0	0	1
	2020	1	1	0	0	0	0	2
	2021	2	0	0	0	0	0	2
Pennsylvania	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Totals	2019	1	1	0	0	0	0	2
	2020	2	2	0	0	0	0	4
	2021	4	0	0	0	0	0	4

TABLE NO. 4

**Status of Company-Owned Outlets
For years 2019 to 2021***

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Maryland	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
Totals	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2

* The number of company-owned outlets shown includes the number of restaurants operated by our affiliates.

TABLE NO. 5

Projected Openings as of December 31, 2021

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year*	Projected New Company Owned Outlets in the Next Fiscal Year
Delaware	0	0	0
Maryland	0	2	0
Pennsylvania	0	0	0
Virginia	0	0	0
TOTAL	0	2	0

* Projected new franchised outlets in the next fiscal year refers to the estimated number of new restaurants franchisees will develop under Franchise Agreements entered into during the fiscal year.

Attached as **Exhibit K** are the names, addresses, and telephone numbers of all operating franchisees, and then of all non-operating franchisees, as of the close of our last fiscal year. Non-operating franchisees include franchisees who signed Multi-Unit Agreements but who never signed any Franchise Agreement.

Exhibit L lists the name, city and state, and business telephone number (or, if unknown, the last known home telephone number or email address) of every operating franchisee who had an outlet terminated, cancelled, not renewed, transferred or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year, or who have not communicated with us within 10 weeks of the issuance date of this disclosure document. **Exhibit L** lists the name, city and state, and business telephone number (or, if unknown, the last known home telephone number or email address) of franchisees who signed Franchise Agreements but who were not operational and had their Franchise Agreement terminated, cancelled, not renewed, transferred or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year, or who have not communicated with us within 10 weeks of the issuance date of this disclosure document. Non-operating franchisees include any franchisees who signed Multi-Unit Agreements but who never signed any Franchise Agreement who ceased to do business under a Multi-Unit Agreement. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

If the franchise offered by this disclosure document was previously-owned by a franchisee but is now under our control, we will disclose the following additional information for the franchise for the last five fiscal years in a supplement to this disclosure document: (i) the name, city and state, current business telephone number, or if unknown, last known home telephone number of each previous owner of the franchise; (ii) the time period when each previous owner controlled the franchise; (iii) the reason for each previous change of ownership; and (iv) the time period(s) when we retained control of the franchise.

During the last 3 fiscal years, we have not signed any confidentiality clauses with current or former franchisees which would restrict them from speaking openly with you about their experience with us.

There are no franchisee associations required to be listed in this disclosure document.

ITEM 21 FINANCIAL STATEMENTS

Attached as **Exhibit M** to this Disclosure Document are our audited balance sheets as of December 31, 2021 and 2020 and our audited statements of income, shareholders' equity and cash flows for the fiscal years ended December 31, 2021, 2020 and 2019.

Item 22 CONTRACTS

The following contracts are attached as exhibits to this disclosure document:

Exhibit B	Franchise Agreement
	Exhibit 1 Location and Designated Mark Addendum
	Exhibit 2 Form of Bank Authorization (EFT)
	Schedule 1 Franchisee Identification and Ownership
Exhibit C	Multi-Unit Development Agreement
	Exhibit 1 Development Area and Development Schedule
	Schedule 1 Developer Identification and Ownership
Exhibit D	Franchisee Disclosure Questionnaire
Exhibit E	Assignment and Assumption Agreement
Exhibit F	Collateral Assignment of Lease
Exhibit G	Confidentiality and Noncompetition Agreement
Exhibit H	Transfer and Release Agreement
Exhibit I	Continuing Guaranty
Exhibit J	Table of Contents of Confidential Brand Standards Manual
Exhibit N	State Addenda and Agreement Amendments

Item 23 RECEIPTS

A detachable Receipt in duplicate appears at the very end of this disclosure document for you to sign and give to us acknowledging you received this disclosure document. You should keep the other copy of the Receipt. The Receipt should be mailed to Donna Creager, Chaps Pit Beef Franchising LLC, 8 Patrick Way, Kingsville, Maryland 21807. In addition, a copy of the signed and dated Receipt should be e-mailed to Donna Creager at bdcreager@chapspitbeef.com.

EXHIBIT A

STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. Where we are registered to sell franchises, we have appointed the state agency, or as noted below, a state officer, as our agent to receive service of process in the state. We may not yet be registered to sell franchises in any or all of these states. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

<u>CALIFORNIA</u> Department of Financial Protection and Innovation: (866) 275-2677 (toll free) <u>Los Angeles</u> Suite 750 320 West 4 th Street Los Angeles, California 90013 (213) 576-7505 <u>Sacramento</u> 2101 Arena Blvd. Sacramento, California 95834 (916) 445-7205 <u>San Diego</u> 1350 Front Street San Diego, California 92101 (619) 525-4044 <u>San Francisco</u> One Sansome Street, Ste. 600 San Francisco, California 94104 (415) 557-3787	<u>MINNESOTA</u> (for service of process) Commissioner of Commerce Minnesota Department of Commerce Securities Unit 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1500 (state agency) Minnesota Department of Commerce Securities Unit 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1500 <u>NEW YORK</u> (for service of process) Secretary of State of New York 99 Washington Ave. Albany, New York 12231 (518) 474-4750 (state agency) New York State Department of Law Bureau of Investor Protection and Securities 28 Liberty Street New York, New York 10005 (212) 416-8236 Phone (212) 416-6042 Fax <u>NORTH DAKOTA</u> North Dakota Securities Department Fifth Floor 600 East Boulevard Bismarck, North Dakota 58505 (701) 328-2910
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<u>HAWAII</u> (for service of process) Commissioner of Securities Business Registration Division 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722 (for other matters) Business Registration Division Department of Commerce and Consumer Affairs P. O. Box 40 Honolulu, Hawaii 96810 (808) 586-2722	<u>OREGON</u> Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387 <u>RHODE ISLAND</u> Division of Securities Bldg. 69, First Floor, John O. Pastore Center 1511 Pontiac Avenue Cranston, RI 02920 (401) 462-9527
<u>ILLINOIS</u> Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	<u>SOUTH DAKOTA</u> Department of Labor and Regulation Division of Insurance Securities Regulation 124 S Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563
<u>INDIANA</u> (agent for service of process) Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531 (state administrator) Indiana Secretary of State Securities Division, Room E-111 302 West Washington Street Indianapolis, Indiana 46204 (317) 232-6681	<u>VIRGINIA</u> (for service of process) Clerk, State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733 (for other matters) State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051
<u>MARYLAND</u> (for service of process) Maryland Securities Commissioner at the Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360 (state agency) Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360	<u>WASHINGTON</u> (for service of process) Director Department of Financial Institutions Securities Division 150 Israel Road, S.W. Tumwater, Washington 98501 (360) 902-8760 (for other matters) Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, Washington 98507-9033 (360) 902-8760

<u>MICHIGAN</u> (for service of process) Michigan Department of Commerce, Corporations and Securities Bureau 6546 Mercantile Way Lansing, Michigan 48909 (517) 335-7567 (state agency) Michigan Attorney General's Office Consumer Protection Division Attn.: Franchise Section 525 W. Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, Michigan 48913 (517) 335-7567	<u>WISCONSIN</u> Securities and Franchise Registration Wisconsin Securities Commission 201 West Washington Avenue, Suite 300 Madison, Wisconsin 53703 (608) 266-3431
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EXHIBIT B

CHAPS PIT BEEF FRANCHISING LLC

FRANCHISE AGREEMENT



CHAPS PIT BEEF FRANCHISING LLC

FRANCHISE AGREEMENT

WITH

FRANCHISEE NAME

CHAPS PIT BEEF FRANCHISING LLC

FRANCHISE AGREEMENT

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EXHIBITS:

- 1 – Location Addendum and Designated Mark
- 2 – Form of Bank Draft Authorization (EFT)

Schedule 1 Franchisee Identification and Ownership

CHAPS PIT BEEF FRANCHISING LLC

FRANCHISE AGREEMENT

This FRANCHISE AGREEMENT (this "Agreement") is made and entered into this ____ day of _____, 20____ (the "Effective Date"), by and between **CHAPS PIT BEEF FRANCHISING LLC**, a Maryland limited liability company ("we" or "us"), with a principal place of business at 8 Patrick Way Kingsville, MD 21807, and _____, the individual(s) signing below as franchisee(s) with address(es) at _____ (referred to as "you").

BACKGROUND

A. We have licensed from our affiliate Chaps Pit Beef, Inc., a Maryland corporation ("Licensor"), the rights to use and to sublicense certain intellectual property Licensor owns, which together with the Marks (as defined below) that we own, constitute the "System" for the establishment, development and operation of a restaurant facility offering fast, casual fare featuring charcoal pit cooked meats, BBQ and fish, in a variety of sandwiches and platters and other related products ("Restaurants" or a "Restaurant"). The System includes the confidential and proprietary Brand Standards Manual (the "Manual"), confidential recipes for food products and distinctive service accessories, other proprietary information, proprietary marks, brand, trade dress, design, décor, image, lay-out, know-how, trade secrets, mandatory and suggested specifications, methods, curriculum, proprietary software, operating procedures, standards, equipment, market analysis, marketing strategies, sales and merchandising methods, quality assurance standards, training of franchisees, record keeping and business management processes relating to the establishment, development and operation of Restaurants, all of which may be changed, improved and further developed by Licensor, us and our affiliates from time to time.

B. We grant franchises to qualified individuals to develop and operate Restaurants using the System, including the service mark **CHAPS PIT BEEF®** or the service mark **FAMOUS CHAPS PIT BEEF 1987™** and other identifying marks and symbols that we use now or may later use as part of the System (the "Marks"). We and our affiliates intend to further develop and use the Marks to identify our services and our standards of quality and service to the public so that the public will recognize the System as the source of services and products having high standards of quality, appearance and service. In this Agreement, a Restaurant refers to a restaurant operating under either the mark **CHAPS PIT BEEF®** or **FAMOUS CHAPS PIT BEEF 1987™**, both of which will operate under the System.

C. You have applied for a franchise to operate a Restaurant using the System and the Marks (the "Franchised Restaurant") and to receive the training, confidential information and other assistance we provide.

D. We have approved your application for a franchise in reliance on all of the representations you made in your application. The franchise grants the right and obligation to own and operate the Franchised Restaurant offering the products and services authorized and approved by us utilizing the System and the Marks for a specified term. By signing this Agreement, you acknowledge the importance of our quality and service standards and agree to operate the Franchised Restaurant in accordance with those standards and as described in this Agreement and in accordance with the System.

You also acknowledge that adhering to the terms of this Agreement and implementing and complying with the System as we direct are essential to the operation of the Franchised Restaurant, to the System and to all our franchisees.

E. WE AND YOU HAVE AGREED TO WAIVE PUNITIVE OR EXEMPLARY DAMAGES AS PROVIDED IN SECTION 16.4(x). WE AND YOU HAVE ALSO AGREED TO WAIVE ANY RIGHT TO TRIAL BY JURY, AS PROVIDED IN SECTION 16.4(viii).

AGREEMENT

The parties, in consideration of the undertakings and commitments of each party to the other party set forth in this Agreement, hereby mutually agree as follows:

1. GRANT OF FRANCHISE; TERM; TERRITORIAL PROTECTION

1.1 Grant of Franchise/Renewal.

(i) We hereby grant to you, upon the terms and conditions of this Agreement, the right and franchise to operate the single Franchised Restaurant located within the defined territory described in **Exhibit 1** (the “Designated Area”), and to use solely in connection with the Franchised Restaurant, the System, as it may be changed, improved and further developed from time to time, including the Marks. You shall have the right to use the Marks in the operation of the Franchised Restaurant for the duration of the term of this Agreement and any renewal of the term. You shall operate the Restaurant under the Mark **CHAPS PIT BEEF®** unless we and you agree that the Restaurant will operate under the Mark **FAMOUS CHAPS PIT BEEF 1987™** and designate the Mark **FAMOUS CHAPS PIT BEEF 1987™** as the primary mark for the Franchised Restaurant in **Exhibit 1**. You accept this grant and agree to use your best efforts to develop and fully exploit the business potential of the Franchised Restaurant utilizing the System, including the Marks. You must not conduct any commercial activities from the Location (as defined in Section 2.2) other than the operation of the Franchised Restaurant in accordance with this Agreement without our prior written consent.

(ii) You are authorized to provide catering services (customer orders for off premises consumption of products for group gatherings and events) and to deliver products prepared and cooked at the Franchised Restaurant pursuant to orders placed by customers in person, over the telephone or through social media or other electronic communication, subject to our standards and requirements provided in the Manual or otherwise. There are no restrictions as to the geographic area from which we, our affiliates, you and other franchisees may obtain business by providing catering and delivery services, subject to our standards and requirements.

(iii) The term of this Agreement and franchise to operate the Franchised Restaurant will expire ten (10) years from the Effective Date of this Agreement (the “Term”). If, in our sole business judgment, we determine that you have substantially met all your obligations under this Agreement and have performed at a satisfactory level during the Term, we may grant you an option to enter into up to two (2) additional successor franchise agreements having five (5) year terms, provided you comply with the conditions contained in Section 13 of this Agreement, unless this Agreement is earlier terminated or the Franchised Restaurant is transferred during the Term in accordance with this Agreement. There are no further options to receive successor franchise agreements. If, in our sole business judgment, you have not substantially met all your obligations under this Agreement or have not performed at a satisfactory level during the Term, we may determine not to grant you a new, successor franchise agreement.

(iv) You acknowledge the franchise is granted to you during the Term, and any extension of the Term, so long as you are not in default with respect to any term or condition contained in this Agreement.

(vi) Provided you are in compliance with this Agreement, we and/or our affiliates will not during the Term of this Agreement, except as reserved to us below in Section 1.1(vii) and Section 1.1(viii), own or operate or franchise or license any other franchisee or licensee to own or operate a restaurant operating under the marks **CHAPS PIT BEEF®** or **FAMOUS CHAPS PIT BEEF 1987™** or other Marks associated with the System, within a defined geographic area (the “Protected Area”). The Protected Area will be determined by negotiation between you and us based on surveys, population density and other factors, and will be set forth in **Exhibit 1** to this Agreement. You acknowledge that we, our affiliates, other franchisees and licensees are entitled to conduct marketing activities (especially advertising on the Internet and through social media, in newspapers, magazines, radio and television) directly or through others, and that such activities may be received by persons within the Protected Territory even though they are aimed principally outside the Protected Territory. In this Agreement, an “affiliate” means, with regard to a business entity, an entity that is controlled by that business entity or is under common control with that business entity.

(vii) Except as otherwise specifically set forth above in Section 1.1(vi) with respect to the Protected Area, as provided below Section 1.1(viii) related to your right of first refusal to develop and operate an additional Restaurant (other than a “Non-Traditional Restaurant” as defined in Section 1.1(viii)) in the Designated Area, and as provided below in Section 1.1(ix) with respect to your right of first refusal with respect to a Non-Traditional Restaurant in the Protected Area, this Agreement does not grant you any territorial rights and there are no radius restrictions or minimum or maximum population requirements which limit where we can license or open another restaurant operating under the marks **CHAPS PIT BEEF®** or **FAMOUS CHAPS PIT BEEF 1987™** or other Marks associated with the System, unless provided under applicable state law. We and/or our affiliates retain all other rights. You understand and acknowledge that subject to the exceptions above in this Section 1.1(vii), our and/or our affiliates’ retained rights include, without limitation, the right, on terms and conditions that we deem appropriate, to: (i) own and operate and/or grant to others the right to own and operate Restaurants at locations outside the Protected Area; (ii) own, operate, franchise or license, within and outside the Protected Area, any business concept that is not a Restaurant that uses the Mark and the System, including restaurants operating under names other than the Marks associated with the System; and (iii) produce, distribute, and sell, and license others to produce, distribute and sell, food products, beverages, and other products, under the marks **CHAPS PIT BEEF®** or **FAMOUS CHAPS PIT BEEF 1987™**, or any other mark, directly and indirectly, through employees, representatives, franchisees, licensees, assigns, agents, and others, at wholesale, retail, and otherwise, at any location or via the Internet, “e-commerce” and any similar outlets or distribution methods we determine (including Non-Traditional Locations, collectively, “Alternate Channels of Distribution”), without restriction by any right you may have, and without regard to the location of any Restaurant, and these other stores or methods of distribution may compete with the Franchised Restaurant and may adversely affect your sales. Subject to the above exceptions in this Section 1.1(vii), you do not have any right to exclude, control, or impose conditions on the location or development of any restaurant operating under the marks **CHAPS PIT BEEF®** or **FAMOUS CHAPS PIT BEEF 1987™** or other Marks associated with the System, other restaurant, store or other method of distribution, under the marks **CHAPS PIT BEEF®** or **FAMOUS CHAPS PIT BEEF 1987™** or any other mark. You have no right to share, nor do you expect to share, in any of the proceeds we or our franchisees or licensees or any other party receives in connection with any **CHAPS PIT BEEF®** Restaurant, **FAMOUS CHAPS PIT BEEF 1987™** Restaurant, other restaurant, or Alternative Channel of Distribution.

(viii) Notwithstanding Section 1.1(vi) and Section 1.1(vii), subject to your compliance at all times with the terms of this Agreement, if we in our sole business judgment determine that the

specific size, nature and/or demographics of the geographic area described in **Exhibit 1** to this Agreement as the Designated Area allow for the operation of another Restaurant within the Designated Area, and we intend to establish another Restaurant within the Designated Area (the “Additional Restaurant”), then you will have the right of first refusal to purchase a franchise on our then standard terms and conditions being offered by us to develop and operate the Additional Restaurant, subject to the terms of the applicable franchise agreement, but only if:

a. you previously accepted all rights of first refusal offered to you relating to the Designated Area and as a result you (or entities under the same ownership as you) operate or have the right to develop all of the Restaurants within the Designated Area other than any “Non-Traditional Restaurants” (as defined below);

b. we in our sole business judgment are satisfied that you have the necessary financial and managerial resources to operate both the Franchised Restaurant, any other Restaurants you currently operate or have under development pursuant to effective franchise agreements with us, plus the Additional Restaurant and you are not in default under this Agreement or any other franchise agreement with us; and

c. the Additional Restaurant is not a “Non-Traditional Restaurant.” A “Non-Traditional Restaurant” means a location that offers products, beverages, and other products, under the **CHAPS PIT BEEF®** Mark, the **FAMOUS CHAPS PIT BEEF 1987™** Mark or any other Mark, that is not a traditional location, and includes separate areas or concession departments within airports, bus and railroad terminals, sports arenas and stadiums, highway rest stops, gasoline service stations, supermarkets, convenience stores, department stores, hospitals, parks, universities, schools, convention centers, casinos, military bases, office buildings, business complexes, apartment buildings, condominiums, dormitories, other high density locations and other similar non-restaurant locations, and co-branded locations.

You do not have a right of first refusal relating to any Non-Traditional Restaurant in the Designated Area (except with respect to the Protected Area, as provided in Section 1.1(ix)) nor do you have any right of first refusal in any other Alternate Channels of Distribution. You may not receive a Designated Area in **Exhibit 1** relative to a right of first refusal if you are being granted a franchise to develop and operate a Restaurant within a geographic area that was previously a defined Designated Area under another franchise agreement.

If applicable, we will give you written notice of our intent to establish the Additional Restaurant in the Designated Area and the right of first refusal offer, together with our then effective Franchise Disclosure Document. You must give us written notice of your acceptance or rejection of the right of first refusal by no later than thirty (30) days from the date on which we give you written notice, but no sooner than fifteen (15) days after you received the Franchise Disclosure Document. If you accept the right of first refusal, you must, subject to compliance with disclosure requirements, execute and enter into a franchise agreement (on our then standard terms and conditions) and such related agreements as we require in respect of the Additional Restaurant and must make all payments required under the new franchise agreement and the other related agreements when due and must then sign a lease and open the restaurant for business according to the terms and conditions of the new franchise agreement.

If you reject the right of first refusal, or fail to accept the right of first refusal in writing within the timeframe set out above, or if you fail to meet the conditions of clauses a, b or c above and we do not have to offer you the right of first refusal, we will be entitled to immediately offer and grant a franchise or license to develop and operate the Additional Restaurant to any other party or develop and operate the Additional Restaurant ourselves, or through an affiliate. In those circumstances, you will no longer have any right of first refusal in the Designated Area.

(ix) Notwithstanding Section 1.1(vi), Section 1.1(vii) and Section 1.1(viii), subject to your compliance at all times with the terms of this Agreement, and provided you still have the general right of first refusal in the Designated Area described in Section 1.1(viii) above, if we in our sole business judgment intend to establish a Non-Traditional Restaurant within the Protected Area that may be developed and operated by a franchisee of ours (rather than, for example, only the owner or licensed manager of the premises of the Non-Traditional Restaurant) and we determine that you are otherwise qualified to own and/or operate the Non-Traditional Restaurant, then you will have the right of first refusal to purchase a franchise on our then standard terms and conditions being offered by us to develop and operate the Non-Traditional Restaurant, subject to the terms of the applicable franchise agreement.

If applicable, we will give you written notice of our intent to establish the Non-Traditional Restaurant in the Protected Area and the right of first refusal offer, together with our then effective Franchise Disclosure Document and any specific terms and conditions of conducting business at the Non-Traditional Restaurant. You must give us written notice of your acceptance or rejection of the right of first refusal by no later than thirty (30) days from the date on which we give you written notice, but no sooner than fifteen (15) days after you received the Franchise Disclosure Document. If you accept the right of first refusal, you must, subject to compliance with disclosure requirements, execute and enter into a franchise agreement (on our then standard terms and conditions for a Non-Traditional Restaurant) and such related agreements as we require in respect of the Non-Traditional Restaurant and must make all payments required under the new franchise agreement and the other related agreements when due and must then sign a lease or occupancy agreement and open the restaurant for business according to the terms and conditions of the new franchise agreement.

If you reject the right of first refusal, or fail to accept the right of first refusal in writing within the timeframe set out above, or if you fail to meet the conditions in the first paragraph of this Section 1.1(ix) and we do not have to offer you the right of first refusal, we will be entitled to immediately offer and grant a franchise or license to develop and operate the Non-Traditional Restaurant to any other party or develop and operate the Non-Traditional Restaurant ourselves or through and affiliate, without any liability or obligation to you. In those circumstances, you will no longer have any right of first refusal in the Protected Area with regards to Non-Traditional Restaurants.

(x) You understand and agree that the System must not remain static if it is to meet (without limitation) presently unforeseen changes in technology, competitive circumstances, demographics, population, consumer trends, social trends and other market place variables, and if it is to best serve our interests, your interests and the interests of all other franchisees and licensees of ours. Accordingly, you expressly understand and agree that we may from time to time change the components of the System, including, without limitation, altering the products, programs, services, methods, standards, forms, policies and procedures of the System; abandoning the System altogether in favor of another system in connection with a merger, acquisition or other business combination or for other reasons; adding to, deleting from or modifying those products, programs and services which your Franchised Restaurant is authorized and required to offer; modifying or substituting entirely the building, premises, equipment, signage, trade dress, décor, color schemes and uniform specifications and all other unit construction, design, appearance and operation attributes which you are required to observe hereunder; and, changing, improving, modifying or substituting the Marks. You expressly agree to comply with any such modifications, changes, additions, deletions, substitutions and alterations. You shall accept, use and effectuate any such changes or modifications to, or substitution of, the System as if they were part of the System at the time that this Agreement was executed. Except as provided in this Agreement, we shall not be liable to you for any expenses, losses or damages sustained by you as a result of any of the modifications contemplated by this Agreement.

2. DEVELOPMENT AND COMMENCEMENT OF OPERATIONS

2.1 Development of the Franchise. You agree, at your expense, to do or cause to be done the following within nine (9) months following the Effective Date of this Agreement:

(i) Locate a suitable site, obtain our approval, and enter into a lease, all as outlined in Section 2.2 of this Section;

(ii) Lease or purchase and install any improvements, equipment, signs or other items which we may require to effectively operate the Franchised Restaurant, and commence the active, full-time operation of the Franchised Restaurant, and purchase product, restaurant supplies, office supplies, forms or other operating items required to conduct the Franchised Restaurant, all as specified in our confidential Brand Standards Manual (the “Manual”);

(iii) Obtain all necessary insurance, all as outlined in Section 8.5 of this Agreement;

(iv) Comply with all applicable state, county and local laws and ordinances pertaining to the start up of the Franchised Restaurant, including, but not limited to, all required business permits and licenses; and

(v) Open the Franchised Restaurant, commence business and continuously operate the Franchised Restaurant, as outlined in Section 2.9.

2.2 Acquisition and Approval of a Suitable Location. If at the time of the execution of this Agreement, the location of the Franchised Restaurant is known (the “Location”), it shall be entered on the Location and Designated Mark Addendum, attached as **Exhibit 1**. If at the time of the execution of this Agreement, the Location is not known, you shall, within ninety (90) days of the date of this Agreement, find a Location subject to our written approval, within the Designated Area, which meets our site criteria as set out in the Manual, the address of which shall then be inserted into **Exhibit 1**, once you have secured the Location by lease or purchase. We will provide you with certain of our criteria for site selection. You will reimburse the actual costs we incur in connection with any site visit we make at your request or we believe is necessary to evaluate a proposed site, including travel, lodging, meals and incidental costs for each employee, representative or agent performing the on-site evaluation. We will not unreasonably withhold approval of a site that meets our standards, including for demographic characteristics (e.g., population density and household economics), location and neighborhood, proximity to other businesses, visibility, ease of access, available parking, architectural style, size, layout, general condition and lease terms. You acknowledge that our approval of a Location is not a warranty, representation or guaranty that any such Location will be successful or generate any specific level of sales. Approval merely indicates that the Location meets our criteria for acceptable sites for Restaurants. In the event you fail to secure the Location approved by us either by lease, sublease or purchase, within one hundred and eighty (180) days from the date of this Agreement, we shall have the sole option to terminate this Agreement and return to you the initial franchise fee, less Fifteen Thousand Dollars (\$15,000) for our legal and administrative expenses and the processing of your application, or extend the time for you to secure the approved Location or to select another Location, subject to our approval. We will make the refund to you only if you sign a general release, in a form satisfactory to us. If we do not elect to terminate, you must comply with the development obligations in this Agreement and we will not refund any amount even if we terminate for failure to open the Franchised Restaurant within the time required under Section 2.9.

2.3 Approval of Lease and Required Lease Provisions. If the Location is leased by you, you shall also provide to us, no less than ten (10) days prior to the execution of the lease or occupancy agreement (collectively a “lease”), all pertinent details, including copies of the lease and amount of square footage. You are required to obtain our written approval before entering into a lease of the Location. Our

written approval of your proposed lease does not constitute our guarantee of success of your business at the Location you have selected, nor does it constitute a legal review. The individuals or entity on the lease or occupancy agreement must be the same as the individuals or entity that is the franchisee under this Agreement.

You shall use your best efforts to see that any lease contains the following provisions either in the lease itself and/or by way of an addendum or collateral assignment of lease and consent of lessor:

(i) the premises will be used only as a **CHAPS PIT BEEF®** Restaurant or **FAMOUS CHAPS PIT BEEF 1987™** Restaurant;

(ii) no part of the premises may be assigned or subleased except as part of a sale of the Franchised Restaurant approved by us;

(iii) we will have the right to enter the premises to perform quality assurance inspections (announced or unannounced), to inspect and make any modifications we deem necessary to protect the Marks and to insure compliance with any other obligations you have to us under this Agreement;

(iv) we will have the right (but not the obligation) to receive an assignment of the lease upon termination or expiration of this Agreement or in event of your default under the lease;

(v) Lessor shall acknowledge our existence and the requirement of our prior written approval of the lease and any subsequent renewals, extensions, modifications and amendments to the lease;

(vi) Lessor shall agree to furnish to us a copy of any default notice served on you and/or lessee simultaneously with the service of the notice to you and/or lessee and, further, shall agree to give us the opportunity, but not the obligation, to cure any of your and/or lessee's defaults under the lease within fifteen (15) days following the expiration of any cure period provided under the lease, assuming your and/or lessee's failure to cure the default;

(vii) Lessor shall agree that, if we exercise our said right to cure your and/or lessee's defaults under the lease, including the expiration of this Agreement without renewal or a termination of this Agreement prior to expiration, then we may, at our option, succeed to your and/or lessee's interests under the lease and shall be recognized by lessor as the lessee or sublessee thereunder for the remaining term of the lease; and

(viii) Lessor shall agree that, if we succeed to your and/or lessee's interests under the lease for any reason, we shall have the right to further assign the lease or to sublease the Location to either an entity owned or controlled by us, or to a franchisee or licensee who meets our requirements to be a franchisee or licensee and lessor's requirements to be a lessee or sublessee.

If you, the individuals that own your entity or a business entity affiliated with you owns or purchases the site of the Location, in addition to items (i), (ii) and (iii) above in this Section 2.3, at our request, you, the individuals or the affiliated entity will give us the option to lease the premises on termination or expiration of this Agreement upon terms reasonably acceptable to us.

You will notify us immediately of any change in ownership of the premises of the Franchised Restaurant during the term of this Agreement by a third party, and will notify us before the acquisition of the premises by you or a business entity affiliated with you. If you initially lease the premises and then you or a business entity affiliated with you acquires the premises of the Franchised

Restaurant during the term of this Agreement, you or the entity must notify us and negotiate an option to lease agreement when you or the affiliate acquires the premises.

2.4 Power of Attorney. If we succeed to your interests under the lease as provided above, you hereby irrevocably appoint us, by and through any of our officers as we may select, as your attorney-in-fact to execute such documents and instruments as we deem necessary or appropriate to effectuate the succession of interest, including, without limitation, the assignment of all licenses and permits.

2.5 Restaurant Improvements/Remodeling.

(i) You will construct and equip the Franchised Restaurant according to the System and other specifications we will provide you with and the information contained in our Manual or otherwise in writing. In accordance with the specifications and at our direction, you will construct the Franchised Restaurant, according to all applicable codes and ordinances and pursuant to all required permits, using contractors that you select, subject to our previous written approval. We may vary the standards and specifications to take into account unique features of specific locations or types of locations, special requirements and other factors we consider relevant.

(ii) You shall submit to us for prior approval all construction plans, site plans and blueprints for each location we approve, including any proposed sites for relocation of the Franchised Restaurant and any expansion and material alterations of the Franchised Restaurant premises. Our review of your plans, site plans and blueprints is only meant to assess compliance with our System and is not meant to verify compliance with any applicable laws or building codes. We do not guarantee compliance with any applicable laws or building codes. During construction, you shall arrange for us to have access to the Restaurant and obtain our approval on all change orders and material modifications to the approved plans. Our inspection and approval is also only meant to assess compliance with our System and is not meant to verify compliance with any applicable laws or building codes or that construction is done according to the plans. If you enter into a contract with a third party developer or contractor for the construction or expansion of the Franchised Restaurant, the contract shall contain a substantial completion date, and you shall submit a copy of the contract for our files. Any material alterations of the Franchised Restaurant premises shall become part of the Franchised Restaurant premises for all purposes under this Agreement. We may charge you a reasonable fee for our services in connection with any relocation, expansion, and material alterations of the Restaurant.

(iii) You must investigate, keep informed of and strictly comply, at your expense, with all applicable local, state, and federal laws, rules, regulations, ordinances, standards, and directives in effect at any time related to the construction and operation of the Franchised Restaurant and the construction or the use of any furniture, fixtures, equipment and signs. These include (without limitation) the Americans with Disabilities Act and other federal and state laws relating to employees and customers with disabilities; the Fair Labor Standards Act, the Occupational Safety and Health Act and other federal and state laws governing minimum wage, overtime, worker's compensation insurance, unemployment insurance, working conditions and other employment-related subjects; Title VII of the Civil Rights Act, the Equal Employment Opportunity Act and other federal and state laws relating to discrimination and harassment; laws governing various other matters, such as consumer and employee privacy; laws applicable to food handling and preparation, health, sanitation, smoking, safety, fire and other matters; withholding and payment of federal and state income taxes, social security taxes, sales taxes, beverage taxes and other tax laws; environmental laws; and laws relating to citizenship or immigration status. Before you open the Franchised Restaurant, you must certify in writing that you have obtained all permits and certifications required to operate the Franchised Restaurant, including all business or other licenses and all zoning, access, signs and fire permits and approvals. You acknowledge the need to retain your own legal counsel to assist you in complying with these obligations throughout the term of this Agreement and any renewal terms, and further acknowledge that no employee or legal counsel of ours

can or will provide you with legal advice at any time. Accordingly, you agree not to rely, or claim to have relied, on our employees or legal counsel for legal advice.

(iv) You will make, at your sole expense, changes necessary to conform the Franchised Restaurant to our specifications, including, but not limited to, repairing items not in good condition or not functioning properly, and upgrading and remodeling the Franchised Restaurant, including leasehold improvements, furniture, fixtures, equipment and signs. You acknowledge these requirements are necessary and reasonable to preserve the identity, reputation and goodwill we developed and the value of the franchise. You agree to make the repairs and the updates and pay all reasonable, required costs within reasonable time periods we establish. Any additions, alterations, modifications, or remodeling of the Franchised Restaurant by you require our prior written consent in our sole business judgment, provided that we shall not be required to approve any proposed additions, alterations, modifications, or remodeling if the same would not conform to our then-current specifications, standards, format, image, or appearance. In addition, to any remodeling required by us upon entering into any successor franchise agreement to this Agreement described in Section 13 of this Agreement and upon the assignment of the Franchise described in Section 12 of this Agreement, you shall, upon written notice from us and at your sole cost and expense, remodel and make all improvements and alterations in and to the Franchised Restaurant as reasonably determined by us from time to time to be necessary to reflect our then-current specifications, standards, format, image, and appearance, provided that during the Term, we will not require any remodel more often than once every five (5) years if not associated with a successor franchise agreement or assignment.

2.6 Relocation. You may close the Franchise Restaurant and relocate the Franchised Restaurant only with our prior written approval. If we grant approval, you will obtain a location acceptable to us, following the same procedure and subject to the same requirements, fees and reimbursement of costs that applied to the selection of the initial Location. You will open the relocated Franchised Restaurant for business within one hundred eight (180) days of closing the Franchised Restaurant at the previous Location. The address of the Location will be amended on Exhibit 1 with the address of the new Location once you have secured the premises of the new location by lease or purchase and closed the Franchised Restaurant at the previous Location. You will bear all relocation costs, including the costs of terminating the existing lease and building-out the new premises and installing all equipment, including computer equipment, software and communication system, according to our specifications and guidelines. You will de-identify the former Location according to our specifications and guidelines at your expense within the time we specify.

2.7 Default. You acknowledge and agree that an expiration of this Agreement without renewal or a termination of this Agreement prior to the expiration, because of your uncured or incurable events of default as set forth in Section 14 of this Agreement, shall constitute a default under the lease, giving us the right, but not the obligation, to succeed to your interests as the new lessee or sublessee under the lease.

2.8 Fixtures, Furnishings, Signs, and Other Equipment. You agree to use in the development and continuing operation of the Franchised Restaurant such equipment, fixtures, maintenance and repair items, signs, and other equipment and operating supplies that we have approved as meeting our specifications and quality standards for design, appearance, function, performance and serviceability. We will maintain a list of designated suppliers. Any other vendor or supplier that you propose to utilize shall be considered by us, after review of plans and specifications and/or samples, and if approved, in our sole business judgment, said vendor or supplier shall become a designated supplier. Our approval or designation of a brand or type of equipment or supplies or our approval or designation of a vendor or supplier does not constitute our guaranty or warranty of the equipment or supplies or of the vendor or supplier. We may be an approved supplier or designated sole supplier for any purchases of products or services and may obtain revenue from you and make a profit. We may receive

fees and other payments from suppliers and others in connection with your purchases and we may use the fees for our own purposes.

2.9 Commencement of Operations. You shall commence operation of the Franchised Restaurant within ten (10) days after the date when our authorized representative, in his/her sole judgment, determines by personal observation that you have successfully completed training and are capable of providing services that meet our standards on a consistent continuing basis and the Franchised Restaurant is fully operational and validly licensed by the appropriate state or local regulatory agencies. In no event will the commencement date be in excess of nine (9) months after the Effective Date of this Agreement, plus any approved extensions. Your failure to open the Franchised Restaurant by the required opening date constitutes grounds for immediate termination of this Agreement, with no opportunity to cure, and we will not refund any payment to you.

3. TRAINING AND GUIDANCE

3.1 Training.

(i) Within sixty (60) days of the date the Franchised Restaurant is scheduled to open, we shall provide initial training programs for the franchisee, General Manager, Kitchen Manager and Pit Master. The training programs shall occur in or at such location as we may designate, at no fee for up to four individuals in the aggregate; provided, however, you must pay all salaries, travel, lodging, meals and incidental costs of the individuals attending training. Initial training for additional and replacement owners, General Managers, Kitchen Managers and Pit Masters is available at our then current applicable initial training fees, plus you will reimburse us for the cost of product inventory used during the franchisee (Operating Partner), General Manager and Pit Master initial training programs, and you will be responsible for all salaries, travel, lodging, meals and incidental costs for any additional trainees. Your trained owners and employees will be responsible for training your other employees.

(ii) You (or your Operating Partner) (as defined in Section 8.2(i)), your General Manager, Kitchen Manager and Pit Master are required to complete the applicable initial training course to our satisfaction prior to your opening the Franchised Restaurant for business. You (or your Operating Partner) may also attend our General Manager initial training program. If you (or your Operating Partner), your General Manager, Kitchen Manager and/or Pit Master fail to complete the applicable training course to our satisfaction, then the individual must repeat the training course until we determine that the training course has been completed satisfactorily. Failure to satisfactorily complete the training course timely in order to open the Franchised Restaurant within the time allowed as required under Section 2.9 and Section 14.2(iii) could result in termination of this Agreement. Training may take place in one or more sessions, with a session varying from one or more consecutive days and you will have to plan your schedule accordingly. Training will be at the times and places we designate and/or delivered via Internet, webinar or other form of electronic communication. All expenses incurred in connection with the initial training program, including the cost of travel, housing, meal expense, and wages, if applicable, will be borne by you for all individuals attending initial training, and we will provide and pay only for training instructors and materials. We may require retraining if we believe that, after completion of the initial training program, an individual has failed to successfully complete the training to our satisfaction. This will be an additional cost to you based on our then-current rates for initial training plus reimbursement of the cost of product inventory, if applicable. If, during the operation of the Franchised Restaurant, we determine that you, the Operating Partner, your General Manager, Kitchen Manager or Pit Master, need to correct performance issues, we may require additional training, which will be an additional cost to you for the cost of travel, lodging, meals, incidental costs and wages, if applicable, for all individuals attending additional training, and you will pay us an additional training fee based on our then-current rates. We will also make available any other training programs as we deem appropriate at

our then-current rates. All training will be at the times and places we designate or delivered via Internet, webinar or other form of electronic communication.

(iii) We will send up to four (4) representatives to the Franchised Restaurant at no fee to you for up to two (2) days immediately prior to the opening of the Franchised Restaurant and up to another two (2) days including the day of and after opening, to assist you in operating and marketing the Franchised Restaurant. If the Franchised Restaurant is outside a sixty (60) mile radius from our affiliate's Aberdeen, Maryland Restaurant, you will reimburse us for our representatives' travel, lodging and meals. The charge for the cost of travel, lodging and meals is payable at least ten (10) days before the opening of the Franchised Restaurant and is not refundable under any circumstances. Thereafter, at your request and subject to availability as we determine, we will send representative(s) to assist you at a cost to you of Seven Hundred Fifty Dollars (\$750.00) per day per representative, plus travel, lodging, meals and incidental costs.

(iv) You are required to have any supervisory employee who is responsible for the floor management and/or operation of the Franchised Restaurant and who works in excess of thirty (30) hours per week, and any Pit Master, trained by us as outlined above. You agree that you will at all times maintain management supervision and control of the Franchised Restaurant.

(v) You will be responsible for any travel and living expenses that you and/or any supervisory employee or Pit Master incur in connection with all training programs, conferences and seminars and for any salary and other costs paid to or incurred by or on behalf of the supervisory employee or Pit Master in connection with such training programs, conferences and seminars.

(vi) We may require previously trained and experienced franchisees, supervisory employees and Pit Masters to periodically attend supplemental or refresher and/or advanced training programs, conferences, seminars and continuing education events. These programs, meetings, conferences and/or continuing education events will be at the times and places we designate and/or delivered via Internet, webinar or other form of electronic communication. All expenses of the attendees incurred in connection with supplemental and refresher training programs, meetings, conferences and continuing education events as we may reasonably require, including the cost of travel, lodging, meals, incidental costs and wages, if applicable, will be borne by you. We may charge you a fee between Two Hundred Fifty Dollars (\$250.00) to One Thousand Five Hundred Dollars (\$1,500.00) for each attendee.

3.2 Brand Standards Manual.

(i) We will lend to you, for the duration of this Agreement, one (1) Manual in text and/or electronic form. The Manual is a compilation of manuals, books, binders, videos or other electronic media, Intranet postings and other materials containing operating data, specifications, standards, operating procedures, checklists, equipment, services and other information covering the proper operating and marketing techniques for the establishment and operation of a Restaurant to protect the Marks, copyrights or trade names, or improve the quality of the product or service provided by the Restaurants. The specifications, standards and operating procedures do not include any personnel policies or procedures that we may, at our option, make available to you in the Manual or other written communication. You may, in your sole judgment, determine to what extent, if any, any such personnel policies or procedures might apply to the Franchised Restaurant. When we say we will provide "written" communication or a notice or information (including the Manual) to you "in writing" we may or may not provide you with a paper ("hard copy") form of the information. We may choose to provide the communication or notice only through electronic communication or posting to our website(s). The Manual will contain mandatory and suggested operating, accounting and reporting procedures, as well as quality standards for services, procedures, and recipes prescribed from time to time by us for Restaurant operations, and you agree to comply with the mandatory items. All information in the Manual is

confidential and proprietary and constitutes trade secrets. Information contained within the Manual shall not be disclosed to third parties without our prior written approval. You will adhere to quality control standards in the Manual or elsewhere with respect to the character or quality of the products you sell or the services you perform in association with the Marks. You will not conduct any business or sell any products at the Franchised Restaurant that we have not approved.

(ii) We have the right to add to and otherwise modify the Manual from time to time to reflect changes in authorized recipes, products and services, in standards of services, and in procedures and specifications. These modifications may or may not be a part of the Manual, but in all events shall be communicated to you in writing. Such additions or modifications shall constitute provisions of this Agreement as if fully set forth in this Agreement and you shall take all actions, at your expense, to implement these modifications. You shall keep your copy of the Manual current. In the event of a dispute relative to the contents of the Manual, the master copy maintained by us at our principal office shall be controlling. If you request a replacement copy of physical portions of the Manual or replacement access to electronic portions of the Manual, you will pay us our then current replacement fee or electronic access fee.

3.3 Guidance. We shall advise you from time to time of operating deficiencies that may be disclosed by the periodic reports submitted to us, or by evaluations made by us or our representative, and shall furnish to you guidance in connection with: (1) methods and procedures, certain recipes utilized by Restaurants; (2) cleanliness, food preparation and appearance; (3) formulating and implementing promotional programs; and (4) establishment of administrative, accounting and general operating procedures for the proper operation of the Franchised Restaurant. Such guidance may be furnished in the Manual, bulletins, newsletters, formats and training films, telephonic consultations and/or consultation with our representative or us. Our representatives, making routine evaluations, may also furnish guidance if requested by you. We will provide additional guidance and assistance at a cost to you of Seven Hundred Fifty Dollars (\$750.00) per day per representative, plus travel, lodging, meals and incidental costs. If we advise you of operating deficiencies disclosed by the periodic reports submitted to us or by evaluations made by us or our representative, you must diligently correct the deficiency as soon as possible. If you fail to correct the deficiency within seven (7) days or sooner if required by law or otherwise in this Agreement, or in the case of any correction which you cannot reasonably make within seven (7) days, if you fail to begin corrective action within five (5) days or you begin corrective action but then fail to diligently pursue and then complete the correction, whether or not you requested the additional guidance and assistance described above in this Section 3.3, we shall have the right, but not the obligation, to provide an enhanced level of additional guidance and assistance at a cost to you of One Thousand Dollars (\$1,000.00) per day per representative, plus travel, lodging, meals and incidental costs. Payment of any amount due under this Section 3.3 will be due one week before the time of service or assistance, as applicable, if scheduled in advance, otherwise at the commencement of the service or assistance.

3.4 Employees; Nondisclosure Agreements; Manual.

(i) You shall hire, train, and supervise competent and courteous employees for the operation of the Franchised Restaurant and shall pay all wages, commissions, fringe benefits, worker's compensation premiums and payroll taxes (and other withholdings required by law) due with respect to the employees. Such employees shall be your employees and not our employees. You will be solely responsible for all employment decisions and functions, including hiring, firing, discipline, supervision, setting terms of employment and compensation and implementing a training program for employees of the Franchised Restaurant in accordance with training standards, procedures and materials we specify in order for you to conduct the operations of the Franchised Restaurant at all times in compliance with our requirements. You will never represent or imply to prospective employees and employees that they will be or are employed by us or our affiliates.

(ii) You shall ensure that a sufficient number of trained employees as you determine are available to meet the operational standards and requirements of the Franchised Restaurant at all times during the Term of this Agreement. You shall ensure that your employees comply with the provisions of, and shall follow the procedures as may be set forth in, the Manual or any informational materials applicable to employees as may be published by us, and amended or updated from time to time. Your employees shall be presented with only the minimum amount of such information and material from the Manual as is necessary for them to perform their assigned tasks. You shall collect the Manual and related materials from all employees upon the conclusion of their employment by you. You shall ensure that all of your managers and employees, as well as your officers, directors, managers and other personnel who may have or will have access to our recipes, trade secrets, and other confidential information, execute deliver prior to having access to said recipes, trade secrets, and other confidential information a nondisclosure agreement and/or a noncompetition/nondisclosure agreement in form and substance satisfactory to us, including that they will recognize Licensor and us as third-party beneficiaries with the independent right to enforce the covenants either directly in Licensor's or our own name as beneficiary or acting as agent, but we may not require the noncompetition covenants from employees other than the General Manager, Kitchen Manager and Pit Master. You will promptly deliver copies of signed agreements to us. You hereby irrevocably appoint Licensor and/or us as your agent with respect to the enforcement of these covenants. An example of a separate written agreement currently considered satisfactory is attached as an exhibit to our Franchise Disclosure Document, except the noncompetition covenants will only apply to employees who are a General Manager, Kitchen Manager and Pit Master. You shall use your best efforts to ensure the compliance of your managers, employees, officers, and directors with the nondisclosure agreement and/or noncompetition/nondisclosure agreement and with the other requirements described in this Agreement pertaining to confidentiality. You shall immediately notify us of any breach of such noncompetition and nondisclosure agreement or of any other requirement described in this Agreement pertaining to confidentiality by any of your managers, employees, officers, and directors or by any other person or party of which you are aware. The notice initially may be verbal but shall be promptly followed by a writing specifying all details pertaining to the breach of which you are aware. In the event of any such breach, we and/or Licensor shall decide, in our and/or Licensor's sole business judgment, what action, if any, should be taken and we and/or Licensor shall retain continuing control over such action. If we and/or Licensor undertake the enforcement of said agreements, you shall cooperate with the prosecution of the enforcement actions or proceedings. Because you and not us or Licensor have the direct relationship with your managers, employees, officers, and directors in terms of their initial hiring, supervision, daily contact and retention, and similar factors relevant to the confidentiality issues and requirements described in this Section, and in consideration of our reliance on you with regard to these matters, you shall pay all of our and/or Licensor's reasonable expenses incurred in the prosecution of said enforcement actions or proceedings, whether or not suit is filed, including, without limitation, reasonable attorneys' fees and court costs.

3.5 Delegation by Us. We have the right to delegate the performance of any portion or all of our obligations and duties under this Agreement to third parties, whether they are agents or affiliates of ours or independent contractors with which we have contracted to provide such services. You agree in advance to any such delegation by us of any portion or all of our obligations under this Agreement to all such third parties. You acknowledge and agree that we may not be bound, and this Agreement may not be modified, by any third party without our prior written consent. You acknowledge and agree that any delegation of our duties and obligations to third parties does not assign or confer any rights under this Agreement upon such third parties and that such third parties are not third party beneficiaries of this Agreement.

4. MARKS

4.1 Ownership and Goodwill of Marks. We own all of the Marks related to the System and any goodwill associated with the Marks, including any goodwill associated with the Franchised

Restaurant. You acknowledge you had no part in the creation or development of the System or the Marks or any goodwill associated with the Marks. The Marks are licensed to you by this Agreement, and your right to use the Marks is derived solely from this Agreement. Your right is limited to the license we granted to you to conduct your business pursuant to and in compliance with this Agreement and all applicable standards, specifications and operating procedures we prescribe from time to time during the Term of the Agreement. Any unauthorized use of the Marks by you shall constitute an infringement of the Marks.

4.2 Limitations on Franchisee's Use of Marks. You agree to use the Marks as the sole identification of the Franchised Restaurant, provided that you shall identify yourself as the independent owner of the Franchised Restaurant in the manner we prescribe. You shall not use any Mark as part of any business entity name or with any prefix, suffix, or other modifying words, terms, designs or symbols (other than logos licensed to you by this Agreement), or in any modified form, nor may you use any Mark in connection with the sale of any unauthorized service or in any other manner not expressly authorized in writing by us. You agree to prominently display the Marks on or in connection with recipes, media advertising, promotional materials, posters and displays, receipts, stationery and forms designated by us, and in the manner prescribed by us, to give such notices of trade and service mark registrations and copyrights as we specify and to obtain such fictitious or assumed name registrations as may be required under applicable law. If you offer the Franchised Restaurant for sale, you may not advertise the sale of the Franchised Restaurant using the words “CHAPS PIT BEEF” or “FAMOUS CHAPS PIT BEEF 1987” Restaurant or otherwise use any of the Marks in any advertising to identify the business offered for sale as a **CHAPS PIT BEEF®** Restaurant or **FAMOUS CHAPS PIT BEEF 1987™** Restaurant.

4.3 Notification of Infringements and Claims. You shall immediately notify us of any apparent infringement of or challenge to your use of any Mark, or claim by any person of any rights in any Mark, and you shall not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim. We shall take such action in our sole business judgment as we deem appropriate (which may be no action) and the right to exclusively control any litigation, Patent and Trademark Office proceeding, or other proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark, and you agree to execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of our counsel, be necessary or advisable to protect and maintain our interests in any such litigation, Patent and Trademark Office proceeding or other proceeding, or to otherwise protect and maintain our interests in the Marks.

4.4 Limited Authorization. We have not authorized nor empowered you to use the Marks except as provided by this Agreement and you shall not employ any of the Marks in forming a business entity, signing any contract, lease, mortgage, check, purchase agreement, negotiable instrument or other legal obligation, or in any manner that is likely to confuse or result in liability to us for any indebtedness or obligation of yours.

4.5 Discontinuance of Marks. You understand and agree that the limited license to use the Marks granted hereby applies only to such proprietary marks as are designated by us, and which are not subsequently designated by us as being withdrawn from use, together with those which may hereafter be designated by us in writing. You expressly understand and agree that you are bound not to represent in any manner that you have acquired any ownership or equitable rights in any of the Marks by virtue of the limited license granted hereunder, or by virtue of your use of any of the Marks. You agree that after termination or expiration of this Agreement, you will not directly or indirectly at any time or in any manner identify yourself as a current or former franchisee of our System (except in any non-public resume, C.V., job application, franchise application, loan application or similar non-public document), identify any business as a current **CHAPS PIT BEEF®** Restaurant or **FAMOUS CHAPS PIT BEEF 1987™** Restaurant (unless operated under an unexpired and non-terminated franchise agreement

with us) or former **CHAPS PIT BEEF®** Restaurant or **FAMOUS CHAPS PIT BEEF 1987™** Restaurant or as otherwise associated with us or our affiliated companies, or use in any manner or for any purpose the Marks or any colorable imitation thereof.

If it becomes advisable at any time, in our sole business judgment, to modify or discontinue use of any proprietary mark and/or to adopt or use one or more additional or substitute proprietary marks, you shall comply with any such instruction by us. You waive any other claim arising from or relating to any proprietary mark change, modification or substitution. We will not be liable to you for any expenses, losses or damages sustained by you as a result of any addition, modification, substitution or discontinuation of any of the Marks.

5. TRADE SECRETS; IN-TERM COVENANT

5.1 Definition of Confidential Information. We license from Licensor proprietary confidential information comprising recipes, methods, techniques, drawings, specifications, procedures, information and knowledge of and experience in the design and operation of a Restaurant, and the rendering and providing of authorized and approved services and products (the "Confidential Information"). We will disclose significant portions of the Confidential Information to you by furnishing you with certain specifications and guidance in the training program, the Manual, and in other guidance furnished to you during the Term of this Agreement. You understand and acknowledge that you will not acquire any interest in the Confidential Information other than the right to utilize it in the development and operation of the Franchised Restaurant during the Term and any renewals of the Term.

5.2 Franchisee's Agreement Regarding Confidential Information. You acknowledge that the Confidential Information is proprietary and, except to the extent that it is or becomes generally known in the relevant industry or trade, the Confidential Information is Licensor's and our trade secret and is disclosed to you solely for use by you in the development and operation of the Franchised Restaurant during the Term and on the condition that you agree, and you do hereby agree, that you: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the confidentiality of the Confidential Information during and after the Term; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written form; (4) will adopt and implement all reasonable procedures prescribed from time to time by us to prevent unauthorized use or disclosure of any of the Confidential Information including, without limitation, restrictions on disclosure of the Confidential Information to your employees and the use of nondisclosure clauses in agreements with such employees; and (5) communicate, divulge or use for the benefit of any other person or entity, any Confidential Information concerning the methods of development or operation of a restaurant utilizing the System which may be communicated by us in connection with the rights granted hereunder.

You will promptly notify us of any unauthorized use or misappropriation of the Manual or any material in which Licensor and/or we claim copyright protection, any trade secrets or Confidential Information, knowledge, or know-how. You will also cooperate in the prosecution or defense of any action related to the Confidential Information, the Manual or any material in which Licensor and/or we claim copyright protection, any trade secrets or Confidential Information, knowledge, or know-how, and will render any assistance Licensor and/or we think is reasonably required to assist in this prosecution or defense. If you are compelled by a court or other body of competent jurisdiction to disclose any of the Confidential Information, the Manual or any material in which Licensor and/or we claim copyright protection, any trade secrets or confidential information, knowledge, you will inform us by written notice and will provide reasonable assistance in obtaining and enforcing a protective order or other appropriate means of safeguarding the information required to be disclosed. You may then disclose only so much of these materials or information as is legally required to be disclosed. You further agree to notify us promptly of any litigation instituted by any person or legal entity against you involving these materials or information. If Licensor and/or we, in Licensor's and/or our sole and exclusive business judgment,

undertake the defense or prosecution of any litigation relating to your use of these materials or information, you agree to sign any and all documents, and to render any assistance as may, in the opinion of the lawyers for Licensor and/or us, be reasonably necessary to carry out the defense or prosecution.

5.3 Restriction on Competitive Activities. You acknowledge that it would not be possible for us to protect the Confidential Information and/or our trade secrets against unauthorized use or disclosure if you hold an interest in a business similar to the Franchised Restaurant. You therefore agree that you, your officers, directors, owners and any General Manager, Kitchen Manager and Pit Master will not, during the Term, have any direct or indirect interest as an owner, director, manager, officer, employee, consultant, representative or agent, and will not lease real estate to or finance, or serve or act in any other capacity, in any other competitive service, business or activity in which twenty-five percent (25%) or more of the sales volume shall be derived from the sale of pit beef, BBQ, ribs, ham, turkey and/or any type of burgers or hot dogs or similar sandwich, including any kind of beef, turkey, BBQ, sausage or chicken. Full service restaurants where customers are served by wait staff and pay after eating are exempt. This covenant will also not prohibit your operation of any other franchise which we grant to you or your ownership of less than a five percent (5%) beneficial interest of the outstanding equity securities of any publicly held entity. This provision is to be read in conjunction with Section 15.4 of this Agreement, and in particular Section 15.4(iii) Reasonableness of Covenant, Section 15.4(iv) Equitable Relief, Section 15.4(v) Severability, Section 15.4(vi) Reduction in Scope and Section 15.4(vii) Attorneys' Fees, which are incorporated into this Section 5.3. In the event of any discrepancy or inconsistency, the provisions of Section 15.4 of this Agreement shall control.

You also agree that during the Term, that you, your officers, directors, owners and any General Manager, Kitchen Manager and Pit Master will not divert, or attempt to divert, directly or indirectly, any business, business opportunity, or customer of the Franchised Restaurant to any competitor or do or perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

5.4 Assignment of Ideas. You will disclose promptly to us any idea, concept, technique or material concerning the System or the operation of the Franchised Restaurant, including any advertising materials, that you or any of your employees create in the operation of the Franchised Restaurant or using the assets of the Franchised Restaurant, including any aspects of the System or any Confidential Information (“*Ideas*”). Licensor and/or we will own all rights in all Ideas. Any copyrightable Ideas prepared by you are “works for hire” under the Copyright Act and Licensor and/or we will be considered the author and owner of these copyrightable works. If Ideas do not qualify as works made for hire, by signing this Agreement you assign to Licensor and us ownership of any and all rights in Ideas. We and Licensor may use Ideas and any other information provided by you in any manner deemed appropriate without compensation to you. You will, upon request, promptly execute all applications, assignments, or other instruments that Licensor and/or we deem necessary to apply for and obtain invention rights, patents, patent applications, letters patent, copyrights, trademarks, and reissues of any of these rights in the United States and foreign countries on Ideas and to confirm the assignment to us in this Section 5.4 of the sole and exclusive rights, title, and interest in and to your right in and to Ideas. In addition, subject to applicable law, you will obtain a written agreement, in form and substance satisfactory to us, from your officers, directors, owners and any manager(s) and any other employees we designate, that they will agree that Ideas will belong to Licensor and/or us, either because they constitute “works for hire” or because they assign to Licensor and/or us ownership of Ideas.

6. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION

6.1 No Fiduciary Relationship. It is understood and agreed by you that this Agreement does not create a fiduciary relationship between you and us, that we and you shall be independent contractors, and that nothing in this Agreement is intended to make either party a general or special agent,

legal representative, subsidiary, joint venture, partner, employee or servant of the other for any purpose. You acknowledge that we do not supervise or direct your daily affairs and that you have exclusive control over your daily affairs. Furthermore, we are not responsible, jointly or severally, for any encumbrances undertaken by you in relation to the franchise business.

You acknowledge that you are relying solely on us and not on any affiliated entities or parent companies related to us with regard to our financial and other obligations under this Agreement, and no employee or other person speaking on behalf of, or otherwise representing us, has made any statement or promise to the effect that any affiliate, entities or parent companies guarantee our performance or financially stand behind us.

6.2 Identification of Franchise Relationship. You shall conspicuously identify yourself at the Location, and in all dealings with customers, contractors, suppliers, public officials and others of the public or private sphere, as the owner of the Franchised Restaurant under a franchise with us and shall place such other notices of independent ownership on such forms, stationery, advertising and other materials as we may require from time to time. All contracts for the Franchised Restaurant's operations and services will be in your name. You will not enter into or sign any contracts in our name or using the Marks or any acronyms or variations of the Marks. You will disclose in all dealings with the public, suppliers, employees and third parties that you are an independent entity and that we have no liability for your debts.

6.3 No Authority to Bind. Neither we nor you shall make any express or implied agreement, warranty or representation, or incur any debt, in the name of or on behalf of the other, or represent that our relationship is other than franchisor and franchisee, and neither we nor you shall be obligated by, or have any liability under, any agreements or representations made by the other that are not expressly authorized hereunder, nor shall we be obligated for any damages to any person or property directly or indirectly arising out of the operation of the Franchised Restaurant or the business authorized by or conducted pursuant to the franchise, whether caused by your negligence, willful action or failure to act.

6.4 No Company Liability for Franchisee's Taxes. We shall have no liability for any sales, use, excise, gross receipts, income, property or other tax, whether levied upon you, the Franchised Restaurant, or your assets, or upon us, in connection with the services performed or business conducted by you, or other payments by you to our affiliate or us.

6.5 Franchisee's Indemnity. You agree to indemnify and hold harmless us, our affiliates and our/their respective officers, directors, managers, members, partners, shareholders, employees and independent contractors (each, an "Indemnified Party" and collectively, the "Indemnified Parties"), for, from and against any and all claims, actions, damages, liabilities, costs and expenses, including reasonable attorneys' fees, incurred by the Indemnified Parties as a result of (i) any claim by any third party asserted against any of the Indemnified Parties arising from your alleged performance and/or nonperformance of any of your obligations under this Agreement, or (ii) any other claim arising from alleged violations of your relationship with and responsibility to us, or (iii) any taxes or penalties assessed by any governmental entity against us as directly related to your failure to pay or perform functions required of you under this Agreement.

The Indemnified Party shall notify you in writing of any such claim as soon as practicable after such Indemnified Party obtains knowledge of the assertion of any such claim. The Indemnified Parties shall have the sole right, in their sole business judgment, (i) to retain their own counsel of their own choosing to represent them with respect to any such claim, and (ii) to control the response thereto and the defense thereof, including the right to enter into an agreement to settle such claim. You may participate, at your own expense, in such defense. You agree to give your full cooperation to the Indemnified Parties

in assisting the Indemnified Parties with the defense of any such claim, and to reimburse the Indemnified Parties for all of their costs and expenses in defending any such claim, including reasonable attorneys' fees, within thirty (30) days of the date of each invoice delivered by such Indemnified Party to you enumerating such costs, expenses and attorneys' fees.

6.6 Survival of Indemnities and Assumptions of Liabilities and Obligations. The indemnities and assumptions of liabilities and obligations in this Agreement shall continue in full force and effect subsequent to and notwithstanding the expiration, termination or transfer of this Agreement.

6.7 Representations of Franchisee. In order to induce us to enter into this Agreement, you represent, warrant and acknowledge the following:

(i) **Ownership.** Schedule 1 lists all your owners and the ownership interest held by each owner. You agree to give us prompt notice of any change or additions to the list of owners on Schedule 1.

(ii) **Truth of Information.** The information (including, without limitation, the information set forth in our Franchisee Evaluation Form furnished or to be furnished to us by you or any owner), is and will be, as of the date such information is furnished, true and correct in all material respects and will include all material facts necessary to make the information not misleading in light of the circumstances. You acknowledge and agree that we have approved your Franchisee Evaluation Form in reliance on the information provided in the Franchisee Evaluation Form and that, but for that information, you would not have been granted the right to operate a Restaurant.

(iii) **Due Authority.** This Agreement has been duly authorized by all necessary actions required on your behalf and constitutes your valid and binding obligation, enforceable in accordance with its terms, subject to applicable bankruptcy, moratorium, insolvency, receivership and other laws affecting the rights of creditors generally. If you (following the assignment of this Agreement by the original individual franchisees in the manner permitted below) are a corporation or limited liability company, you are duly organized and validly existing in good standing under the laws of the state of your incorporation or organization.

7. FEES

7.1 Initial Franchise Fee. You agree to pay to us a non-recurring initial franchise fee (the "Franchise Fee") in the following amount which shall be payable in full to us upon execution of this Agreement:

[check the applicable amount]:

_____ THIRTY THOUSAND DOLLARS (\$30,000.00) – standard fee;

_____ TWENTY THOUSAND DOLLARS (\$20,000.00) – reduced fee for second and additional units to be developed under a Multi-Unit Development Agreement, provided all of your Restaurants are currently in compliance with their respective Franchise Agreement.

The Franchise Fee shall be fully earned by us and non-refundable, except as expressly provided in Section 2.2 of this Agreement upon such execution. We do not undertake to arrange or guarantee financing for or on behalf of you for the Franchise Fee. You acknowledge that the Franchise Fee is reasonable and acceptable to you.

7.2 Royalty Fee. During the Term and any renewal(s), you shall, in addition to the Franchise Fee paid and in further consideration of the grant of the Franchise, pay us a continuing weekly royalty fee (the "Royalty Fee"). The Royalty Fee shall be six percent (6%) of weekly Gross Sales (defined below) of

the Franchised Restaurant. The Royalty Fee shall be payable each Tuesday for the prior week's business, and we may deduct the Royalty Fee from your account pursuant to your authorization as described in Section 7.10 below. If we permit you to offer alcohol upon your written request, if a state or local law in which the Franchised Restaurant is located prohibits or restricts your ability to pay and our ability to collect the Royalty Fee, the Advertising Fund Contribution (as defined in Section 7.3) or other amounts based on Gross Sales derived from the sale of alcoholic beverages at the Franchised Restaurant, then we and you will renegotiate the Royalty Fee and the Advertising Contribution and other provisions to provide the same basic economic effect to both parties as otherwise provided in this Agreement, with a corresponding change to the definition of Gross Sales.

7.3 Advertising Fund Contribution. You shall contribute to the Chaps Pit Beef Advertising Fund ("Advertising Fund") in the amount of one percent (1%) of your Gross Sales for the prior week (the "Advertising Fund Contribution"), due and payable each Tuesday for the prior week's business, and we may deduct the Advertising Fund Contribution from your account pursuant to your authorization as described in Section 7.10.

7.4 Pre-Opening Marketing Promotion. You shall conduct a Pre-Opening Marketing Promotion campaign as required under Section 9.2. You shall spend a minimum of Two Thousand Five Thousand Dollars (\$2,500.00), or a greater minimum amount up to Five Thousand Dollars (\$5,000.00), that we determine, based upon your Restaurant and its location. You may spend more than the minimum we require. You shall pay your vendors directly and provide us with copies of invoices within thirty (30) days following the date the Franchised Restaurant opened (and monthly thereafter, as required) to confirm your compliance with this requirement.

7.5 Additional Training/On-Going Support Fee. At your request, we will send a representative to the Franchised Restaurant at a cost to you of Seven Hundred Fifty Dollars (\$750.00) per day, plus travel, lodging, meals and incidental costs, to provide you with on-site assistance, as provided in Section 3.1(iii).

7.6 Lost Manual Fee. We will provide you with or grant access to one (1) copy of the Manual at no cost; thereafter, if you request a replacement copy of physical portions of the Manual or replacement access to electronic portions of the Manual, you will pay us our then current replacement fee or electronic access fee, as provided in Section 3.2(ii).

7.7 Late Charge.

(i) If any installment of the Royalty Fee, Advertising Fund Contribution, or any other sum due hereunder has not been received by us when due then, in addition to such sums, you agree to pay interest on such sums equal to the lesser of one and one half percent (1½%) per month or the maximum rate permitted by law.

(ii) You acknowledge that this Section shall not constitute our agreement to accept such late payments after same are due, or a commitment by us to extend credit to or otherwise finance your operation of the Franchised Restaurant. Further, you acknowledge that your failure to pay all amounts when due shall constitute grounds for termination of this Agreement, as provided in Section 14.3 of this Agreement.

7.8 Application of Payments. We shall in our sole business judgment apply any payments by you to any past due indebtedness of yours to us. The fees described in this Section 7 are in addition to all other fees payable elsewhere under the Franchise Agreement.

7.9 Definition of "Gross Sales". As used in this Agreement, the term "Gross Sales" shall mean the aggregate amount of all revenues from whatever source derived (whether in the form of cash, credit, agreements to pay, or other consideration including the actual value of any goods or services traded, bartered or otherwise received by you in exchange for any form of non-monetary consideration, and whether or not payment is received at the time of sale) which arise from or are derived by you or by any other person from business conducted or which originated in, on, from, or through the Franchised Restaurant, whether the business is conducted in compliance with or in violation of the terms of this Agreement, and whether from dine-in, take-out catering, delivery and fulfillment of orders from any and all on-line ordering sources. Gross Sales do not include rebates or refunds actually paid to customers, or sums attributable to sales, transaction privilege, excise or similar taxes based upon sales, actually collected from customers or otherwise and actually paid to taxing authorities. Nevertheless, all monies received shall be reported to us, although your responsibility to pay royalties shall be upon Gross Sales as defined herein. Any vending income is added to Gross Sales. Gross Sales includes all revenues from the sale of alcohol if we permit you to sell alcohol upon your written request.

7.10 Single Operating Account; Form of Bank Draft Authorization. You will maintain one operating account to make all payments required by this Agreement. At our request, you will sign and deliver to us appropriate pre-authorized draft forms to establish a bank draft arrangement for the operating account and make sufficient funds available in the operating account no later than the due date for any required payments. A sample form of Bank Draft Authorization (EFT) is attached as **Exhibit 2**. You agree to advise us at least 20 days in advance of any change in your bank, financial institution or account and you will not make any change without first obtaining our written consent and signing new draft forms with us. You will pay us the greater of \$30 or the amount of any returned, stop payment or insufficient funds fees or any similar or related fees charged by any financial institutions or any electronic funds transfer network or ACH. You acknowledge and we agree that this Section 7.10 is intended to include any type of electronic funds transfer or wire transfer process. Notwithstanding the foregoing, we will have the right, in our sole and exclusive business judgment, to require you to pay any amounts due to us under this Agreement by means other than bank drafts, and you agree to comply with our payment instructions.

7.11 Failure to Report. If you do not report the Franchised Restaurant's Gross Sales, we may debit your account for one hundred twenty percent (120%) of the last Royalty Fee payment and Advertising Fund Contribution that we debited. If the amounts we so debit are less than the amounts you actually owe, we will debit your account for the balance on a day we specify. If the amounts we so debit are greater than the amounts you actually owe, we will credit the excess against the amounts we would otherwise debit from your account during the following week.

7.12 No Offset. You agree that your obligations to make payments as specified in this Agreement and any other agreement entered into with us and our rights to receive these payments, are absolute and unconditional, and are not subject to any abatement, reduction, set-off, defense, counterclaim or recoupment due or alleged to be due, or by reason of any past, present, or future claims that you have or may have against us or against any other person whether related to us or not, for any reason. All payments required by this Agreement, together with the reports or statements required by this Agreement, must be received by us, by their respective due dates or same shall be deemed late.

7.13 Technology Update Fee. We may assess a technology update fee to maintain our intranet communications, email system, online ordering and e-commerce programs and other technology systems up-to-date. The technology update fee will be payable following your receipt of notice of the fee and we may deduct the fee from your account pursuant to your authorization as described in Section 7.10.

7.14 Sales Tax and Similar Taxes. You will promptly pay when due all taxes levied or assessed by any tax authority. Failure to do so will be a default of this Agreement. You will be

responsible for any sales tax, gross receipts tax, excise tax or other similar tax (collectively “Sales Tax”), imposed by law on all payments you make to us or our affiliates under this Agreement or otherwise, in connection with the Franchised Restaurant, whether assessed on you or on us or our affiliate. We and our affiliates may collect Sales Tax from you for transmittal to the taxing authority. You will reimburse us and our affiliates for any Sales Tax we or our affiliate must pay directly to any taxing authority.

8. CONDUCT OF THE BUSINESS AND OPERATING STANDARDS

8.1 Authorized Services and Products. You agree that you will not, without our prior written approval, offer any services or menu items that are not authorized by us for Restaurants.

8.2 Franchisee Obligations. The Franchised Restaurant shall not be used for any purpose other than operations in compliance with this Agreement. You will comply with the following:

(i) *Franchisee's Personal Involvement; Operating Partner.* We do not require that you participate personally in the direct operation of the Franchised Restaurant. You must employ a full-time General Manager who will oversee the operation of the Franchised Restaurant, including marketing and promotion, basic maintenance, scheduling, inventory, control the controllable costs, budget sales, and oversee training of all of your employees working in the Franchised Restaurant. You must also employ a full-time Kitchen Manager and a full-time Pit Master. You shall obtain our written approval of the persons you hire who you wish to designate as the initial General Manager, Kitchen Manager and Pit Master, as well as any proposed successors. Your General Manager, Kitchen Manager and Pit Master, and any proposed successors, must meet our educational and experience standards and must also attend and complete to our satisfaction our initial General Manager, Kitchen Manager and Pit Master training program, respectively. Even if you do participate personally in the direct operation of the Franchised Restaurant, you must still employ a full-time General Manager responsible only for the Franchised Restaurant, even if you or your affiliates own more than one Restaurant. If you are a business entity or consist of more than one (1) natural person, then you shall designate one (1) individual who will be authorized to communicate with us concerning the operation of your Restaurant and all matters related to this Agreement (the "Operating Partner"). You shall obtain our written approval of the person designated as the initial Operating Partner, as well as any proposed successor Operating Partner. The Operating Partner will own a minimum of 10% of the ownership interests in the franchise or the entity owning the franchise and must attend and complete to our satisfaction our franchisee (Operating Partner) training. If you or your Operating Partner will not participate personally in the direct operation of the Franchised Restaurant, or if you or your Operating Partner will participate personally but do not have at least two years' experience as a general manager of a restaurant, your General Manager must have at least two years' experience as a general manager of a restaurant in addition to meeting our other educational and experience standards. Your General Manager, Kitchen Manager and Pit Master who have or will have access to our Confidential Information shall execute a confidentiality and noncompetition agreement satisfactory to us prior to having access to recipes, trade secrets, and other Confidential Information. Your other employees who have or will have access to our Confidential Information shall execute a confidentiality agreement satisfactory to us prior to having access to recipes, trade secrets, and other Confidential Information. An example of a separate written agreement currently considered satisfactory is attached to our Franchise Disclosure Document, except the noncompetition covenants will only apply to employees who are a General Manager, Kitchen Manager and Pit Master. The appointment of the Operating Partner or Franchised Restaurant managers shall not relieve you from your obligations under this Agreement.

(ii) *Menu and Food Preparation.* You acknowledge the importance of the Restaurant products and services in the operation of the Franchised Restaurant and agree that your business will be confined to the preparation, sale and rendering of only such food, beverages, goods, and services at retail and not at wholesale or for resale or distribution, as are from time to time required or

authorized by us and are consistent with other Restaurants operated or licensed by us. We may from time to time, without obligation to do so, add or delete menu items, products, merchandise or services, and you shall do the same upon notice from us unless our prior written consent to the contrary is obtained. The deletion or discontinuance of one or more product lines by us shall not constitute a termination of the franchise or this Agreement. You acknowledge and agree that some aspects of the Restaurant franchise program and the System are still under development and that we expect that there will be some variation in the System in different regional markets for an initial or transitional period, or on a permanent basis. You acknowledge and agree that only we may determine what variations you may use and that you will conform strictly to the standards and specifications that we establish for the Franchised Restaurant. Further, you acknowledge and agree that you will provide to us the data we require concerning your operations in order to allow us to assess the success of different variations in the Restaurant franchise program.

You shall adhere to all specifications as may be contained in the Manual or as otherwise may be prescribed by us as to ingredients, methods of preparation and service, weight and dimensions of products served, packaging and similar matters, delivery or catering specifications. Unless our prior written consent is obtained, you shall not change the menu or product line composition, or any food or beverage recipe or formula, or offer any other foods, beverages, goods, or services, except those authorized by us. You acknowledge and agree that deviation from the specifications in the Manual or as we otherwise prescribe, including as to the recipe or formula, ingredients, or use of Supplies (as defined in the next paragraph) or a supplier we have not approved, will have negative consequences, including altering the flavor profile of the products served and affecting their nutritional composition so that your products will not be uniform with those of other Restaurants and you will not be in compliance with the nutritional claims we make available to consumers regarding the products as required by law. We may, without obligation to do so, establish, and from time to time amend, a standard menu format and appearance, and you shall use the standard menu format and appearance if established, as it may be amended, in the Franchised Restaurant. We may require that the standard menu contain advertising references to other Restaurants. Notwithstanding the foregoing, the prices that appear on the menus shall be those that are established by you, although we may from time to time set both maximum and minimum prices.

(iii) *Food Suppliers and Other Suppliers.* So that we can control the quality and consistency of food, beverages, and other items used, served, sold, displayed, or distributed in Restaurants and the confidentiality of trade secrets and recipes, as well as to maximize the availability of discounts for volume purchases, you acknowledge and agree that all food, beverages, supplies, equipment, merchandise, employee uniforms, goods, fixtures, inventory, paper products, packaging and other items used, served, sold, displayed or distributed in the Franchised Restaurant (the “Supplies”) shall be purchased from only those sources designated (if we make a designation therefore) or approved by us. We or an affiliate may be a supplier and for certain items, the only supplier. You shall, in connection with your purchases, be entitled to receive the benefits, if any are available to you, of discounted prices for such food, supplies, equipment, paper products, and packaging offered to our franchisees by such suppliers; provided that any incentives, fees, rebates, or refunds other than mere price discounts, offered by suppliers to us in connection with or resulting from such volume purchases by our franchisees, may be retained by us to be used as we deem appropriate. Unless our prior written consent is obtained, you shall not change any vendor or supplier of Supplies. Changes to or establishment of specifications, as well as changes to or establishment of approved or designated suppliers or the revocation of the approval of existing designated or approved suppliers, may be disseminated to you by various means, including, without limitation, written correspondence, verbal or telephonic notification, amendments or updates to the Manual, bulletins, and similar means of communication.

If you propose to use any Supplies and/or supplier which is not then approved, you must first notify us and submit sufficient information, specifications and samples concerning such Supplies

and/or supplier for us to determine whether the proposed Supplies comply with our specifications and standards and/or such supplier meets our approved supplier criteria. We will have the right to charge you a reasonable fee equal to the costs that we incur for making such determination. We will notify you within sixty (60) days after our receipt of all requested information, documentation and samples, whether you are authorized to purchase the proposed Supplies or to purchase from the proposed supplier. We may from time to time prescribe procedures for the submission of requests for approved Supplies or suppliers and obligations which approved suppliers must assume (which may be incorporated in a written agreement). We may impose limits on the number of suppliers and/or Supplies for any of the foregoing items. We may withdraw our approval of Supplies or suppliers and you must discontinue use of the Supplies or suppliers as we direct.

You must at all times maintain an inventory of approved food products, beverages, ingredients and other products sufficient in quantity, quality and variety to realize the Franchised Restaurant's full potential. We may at any time request information with respect to the inventory maintained by you including reports directly from a vendor and may inspect such inventory during the Franchised Restaurant's business hours.

(iv) *Hours of Operation.* Unless our prior written consent is obtained, and except for the occurrence of events beyond your control (such as when the Franchised Restaurant is unusable because of fire, utility service failure or other casualty, strikes, riots, war, and Acts of God), the Franchised Restaurant shall be open for business as specified in the Manual, including on Sundays, and/or as required by the lease. If business and operational conditions require or permit, the Franchised Restaurant may be open for days and times at variance with the Manual, upon our prior written approval. In any event, your proposed hours of operation shall be submitted to and shall be approved in writing by us.

(v) *Customer Service.* You will render prompt, professional, courteous and willing service to all customers and will handle all customer complaints promptly and courteously. You must notify us immediately but no later than forty-eight (48) hours after your receipt of any serious customer complaints, such as those that allege food poisoning, finding foreign objects in food products, communicable diseases or any other complaints that may attract media attention, so that we may determine whether any action is necessary in order to protect the Restaurant brand or the System as a whole.

8.3 Inspection; Compliance with Standards

(i) *Inspection.* To ensure compliance with this Agreement and the proper operation of the Franchised Restaurant, you grant us or our representatives or agents the right at any time during normal business hours, and without prior notice, to enter and inspect the premises of the Franchised Restaurant and all aspects of the operation of the Franchised Restaurant. You agree that our right to inspect includes the right to utilize a mystery shopper program to evaluate the conduct of the Franchised Restaurant and you consent to any mystery shopper program. You will allow us or our representatives or agents to make extracts from or copies of any of these materials and to take samples of any products sold and immediately remove any unauthorized products without any payment or other liability to you. You will allow us or our representatives or agents to take photographs, videos or any electronic record of the Franchised Restaurant and to interview employees, members and customers. We will have the exclusive right to use any photograph, video, electronic record or other material prepared in connection with an inspection and to identify the Franchised Restaurant and we will not have any obligation to obtain your authorization, or to compensate you in any manner, in connection with the use of these materials for advertising, training or other purposes. If we give you notice of any deficiency detected during an inspection, you will diligently correct the deficiency as soon as possible. During the course of such evaluations, our representatives and we will use reasonable efforts to minimize interference with the

operation of the Franchised Restaurant, and you and your employees shall not interfere with our operations analyst or the conduct of the evaluation.

(ii) Compliance with Standards. You acknowledge that compliance by the Franchised Restaurant with brand standards is important to other Restaurants and us. To this end, you agree to cooperate with us by maintaining such high standards in the operation of the Franchised Restaurant. You further agree to comply with all mandatory specifications, standards and operating procedures relating to the operation of the Franchised Restaurant including, without limitation, the following:

(a) Performance, quality and other relevant characteristics of services rendered and products offered by the Franchised Restaurant;

(b) The maintenance, cleanliness, function and appearance of the Franchised Restaurant, furnishings, fixtures, equipment, and signs;

(c) Use of Marks and use and protection of trade secrets and Confidential Information;

(d) Use and illumination of signs, posters, displays, menus, standard formats and similar items;

(e) Materials, products and supplies used in the operation of the Franchised Restaurant;

(f) Your identification as the independent owner of the Franchised Restaurant;

(g) Display of advertising and promotional materials for the Franchised Restaurant; and

(h) Use of the designated point of sale system described in Section 10 of this Agreement, with availability of modem for us to obtain real time, daily and/or weekly sales audits.

(iii) Specifications, Standards and Procedures. Mandatory specifications, standards and operating procedures prescribed from time to time by us in the Manual, or otherwise communicated to you in writing, shall constitute provisions of this Agreement as if fully set forth in this Agreement. All references in this Agreement to this Agreement shall include all such mandatory specifications, standards, and operating procedures.

(iv) Variances. You acknowledge that we may, from time to time, approve exceptions or changes from the uniform standards of the System which we, in our in our sole business judgment, believe necessary or desirable under particular circumstances. You understand that you have no right to object to or automatically obtain such variances, and that any exception or change must be approved in advance by us in writing. We also understand that other existing and/or future franchisees may operate under different forms of agreements, and consequently the rights and obligations of such franchisees may differ materially from yours.

8.4 Compliance with Laws and Good Business Practices.

(i) Compliance with Laws and Regulations. You shall secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchised Restaurant and shall operate the Franchised Restaurant in full compliance with all applicable laws, ordinances and regulations, as required pursuant to Section 2.5(iii).

(ii) *Notification of Claim or Action and Government Reports.* You shall notify us in writing within five (5) days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect your operation or financial condition or that of the Franchised Restaurant. You shall send us copies of any documents you receive from any federal, state or local agencies (including health, safety and sanitation inspection reports) within forty-eight (48) hours of your receipt of the document.

(iii) *Patriot Act Compliance.* You hereby represent, warrant, and certify to us that neither you nor any of your directors, managers, officers, shareholders, partners, members, employees, or agents, nor any of your affiliates or directors, officers, shareholders, partners, members, employees, or agents, nor any other direct or indirect interest holders of any of the preceding: (a) are or have been listed on any Government Lists (as defined below); (b) are or have been determined by competent authority to be subject to the prohibitions contained in Presidential Executive Order No. 13224 (Sept. 23, 2001), or any other similar prohibitions contained in the rules and regulations of OFAC (as defined below) or in any enabling legislation or other Presidential Executive Orders in respect thereof; (c) have been indicted for or convicted of any felony involving a crime or crimes of moral turpitude or for any offenses under the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA Patriot Act"); (d) are or have been under investigation by any Governmental Authority (as defined below) for alleged criminal activity; or (e) have or have had a reputation in the community for criminal or unethical behavior. As used in this Section, the following definitions apply: (a) "Government Lists" means any of the following lists: (i) the "Specially Designated Nationals and Blocked Persons List" maintained by OFAC; (ii) any other list of terrorists, terrorist organizations, or narcotics traffickers maintained pursuant to any of the Rules and Regulations of OFAC; or (iii) any similar list maintained by the United States Department of State, the United States Department of Commerce, or any other Governmental Authority, or pursuant to any Executive Order of the President of the United States of America. (b) "OFAC" means the Office of Foreign Assets Control, United States Department of the Treasury, or any other office, agency, or department that succeeds to the duties of OFAC. (c) "Governmental Authority" means all federal, state, national, territorial, county, local, foreign, or other governmental or regulatory agencies, authorities (including self-regulatory authorities), instrumentalities, commissions, boards, and bodies.

8.5 Insurance.

(i) *Commercial General Liability Insurance.* You shall at all times during the Term, maintain in force at your sole expense Commercial General Liability insurance ("CGL") against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of the Franchised Restaurant or otherwise in conjunction with the conduct of the business by you pursuant to the franchise. Such insurance coverage shall be maintained under one or more policies of insurance containing minimum liability protection of Two Million Dollars (\$2,000,000.00) combined single unit of bodily and personal injury, death and property damage. If there are no vehicles owned or leased by you, the CGL coverage shall include "Hired & Non-Owned Auto" coverage with minimum limits of One Million Dollars (\$1,000,000.00). If you have owned or leased vehicles, see Section 8.5(iii)(a) below. The insurance limits required in this Section may be accomplished by the purchase of an Umbrella policy. If we permit you to offer alcohol upon your written request, liquor liability insurance must be included within the CGL coverage or separate equivalent insurance must be provided with the same required limits.

(ii) *Workers Compensation and Employers Liability.* You shall maintain Workers Compensation and Employers Liability insurance ("EL") in such amounts as are specified by the State authorities where your Franchised Restaurant is located.

(iii) Additional Required Coverage(s).

(a) If a vehicle or vehicles are owned or leased by you (including private passenger vehicles, vans, trucks), you must carry Business Auto ("BA") Liability coverage with a minimum Combined Single Limit of Bodily Injury and Property Damage of One Million Dollars (\$1,000,000.00);

(b) Employee Benefits Liability coverage with minimum limits of One Million Dollars (\$1,000,000.00) each claim, provided such coverage is readily available;

(d) Employment Practices Liability coverage with minimum limits of One Million Dollars (\$1,000,000.00) and a maximum deductible of Ten Thousand Dollars (\$10,000.00) each claim, including claims arising from discrimination, sexual harassment and wrongful termination relating to employment;

(e) Special Form ("All Risk") Property coverage, for all of your owned or leased property, including furniture, fixtures, improvements and betterments, equipment and stock (commonly included under standards "Contents" or "Business Personal Property" coverage), for full replacement cost value. You must also carry Business Income including Extra Expense coverage in sufficient amounts to cover your net profit and continuing expenses (including franchise fees, royalties, or other expenses due to us), for a period of not less than six (6) months, with deductibles of not more than Five Thousand Dollars (\$5,000.00) for Direct coverages (i.e. Contents), and seventy-two (72) hours for Indirect coverages (i.e. Business Income). We shall be included as a Loss Payee, as our interests may appear with regard to the Business Income coverage, as well as Contents and any other property coverage where we may have an insurable interest (i.e. equipment financed by us, or leased by us on your behalf). All such coverages will provide that in the event of a covered loss to Property that any proceeds collected from the carrier will be utilized to make any repairs or other necessary expenditures to resume franchise operations as soon as is reasonably possible;

(f) Breakdown coverage (also known as Boiler & Machinery) with sufficient limits to cover all Contents and Business Income exposures described in *Section (e)* above; and

(g) If your premises are under construction, you are required to carry CGL and Business Auto Liability coverage as described above, as well as Workers Compensation coverage, if applicable, during construction, and you and we are to be included as Additional Insured as applicable (except for Workers' Compensation coverage). You will utilize the services of a General Contractor (the "GC") and you will have a written contract with the GC including an indemnification ("hold harmless" provision in favor of you), which includes injury to the GC's or subcontractor's employees. The GC is required to carry General Liability ("GL") and Workers Compensation coverages, with GL limits of not less than Two Million Dollars (\$2,000,000.00) General Aggregate, One Million Dollars (\$1,000,000.00) Products & Completed Operations Aggregate, One Million Dollars (\$1,000,000.00) Each Occurrence, with no exclusions for Explosion, Collapse, or Underground hazards. The GC shall maintain Business Auto Liability coverage for vehicles owned or leased by the GC, or if there are no owned or leases vehicles, Hired & Non-Owned Auto Liability coverage. In either case, the minimum required limit shall be One Million Dollars (\$1,000,000.00) Combined Single Limit. You are required to carry either Special Form Property, Builder's Risk, or Installation Floater, whichever is appropriate, covering your Improvements & Betterments, Equipment, and if applicable Furniture & Fixtures for Replacement Cost Value during the course of construction. If appropriate, in our sole business judgment, we shall be included as Loss Payee as our interest may appear. This coverage may be carried by the GC, provided that the coverage includes the respective interests of you and us as appropriate. All construction coverage shall conform with the general insurance requirements described below.

(h) If we permit you to offer alcohol upon your written request, liquor liability insurance must be included within your Commercial General Liability insurance coverage or separate equivalent insurance must be provided with the same required limits.

(iv) *Carriers.* All insurance policies required in this Section shall be issued by insurance carriers rated B+ or better. All carriers must be licensed and admitted in the state(s) in which your franchise will be operated.

(v) *Waiver of Subrogation; Notification by Carrier.* All insurance policies required in this Section shall name us (and our officers, directors, and employees) as an additional insured as applicable (except for Workers' Compensation coverage), contain a waiver by the insurance carrier of all subrogation rights against us, and shall provide that we receive thirty (30) days prior written notice of termination, expiration, cancellation or modification of any such policy.

(vi) *Modification of Coverage by Franchisor.* Upon ten (10) days' notice to you, we may increase the minimum protection requirement as of the renewal date of any policy, and require different or additional types of insurance at any time, including excess liability (umbrella) insurance and coverage needed because of geographical considerations such as Earthquake, Flood, Windstorm, Sinkhole Collapse.

(vii) *Disclaimer; Indemnification.* We make no representations regarding the adequacy of coverage or limits of insurance required by this Agreement, and if you believe that additional coverage is necessary or required by contractual agreement (i.e. lease of premises) then you will purchase the coverage at your own cost and expense. You will also comply with any additional insurance requirements specified in contracts or agreement with third parties (i.e. lease of premises).

(viii) *Certificate of Insurance; Coverage by Franchisor.* You shall furnish to us annually signed Certificate(s) of Insurance, Evidence of Property Insurance, or other evidence of renewals or extensions of coverage specified by us or our designated risk manager, inclusive of copies of policies and/or endorsements, for all coverages required by this Section. If you at any time fail or refuse to maintain in effect any insurance coverage required by us, or to furnish satisfactory evidence of any required insurance coverage, we, at our option and in addition to our other rights and remedies under this Agreement, may, but need not, obtain such insurance coverage on your behalf, and you shall promptly execute any applications or other forms or instruments required to obtain any such insurance and pay to us, on demand, any costs and premiums incurred by us. Your failure to provide insurance coverage as indicated will be considered a default of this Agreement subject to termination pursuant to Section 14.4 of this Agreement. Your obligation to obtain and maintain the insurance described in this Section shall not be limited in any way by reason of any insurance maintained by us, nor shall your performance of such obligations relieve you of any obligations under Section 6 of this Agreement.

9. ADVERTISING, PROMOTION AND SUPPORT

9.1 By the Franchisor.

(i) *Advertising Fund.* Recognizing the value of uniform advertising and promotion to the goodwill and public image of Restaurants, we will maintain and administer the Advertising Fund for marketing, advertising, sales promotion and promotional materials, public and consumer relations, publicity, initial and ongoing training and training materials including manuals and videocassettes, meeting and convention expenses and such other programs as we may deem necessary or appropriate, in our sole business judgment. We will direct all advertising programs to be undertaken through the use of the Advertising Fund in our sole business judgment. We will have control over all creative concepts,

materials, endorsements and media used in such programs and the placement and allocation of such programs.

(ii) *Use of the Advertising Fund.* The Advertising Fund will generally be used to meet any and all costs of maintaining, administering, directing and preparing national, regional or local advertising materials, programs and public relations activities including, without limitation, the costs of preparing and conducting television, radio, magazine, billboard, newspaper and other media programs and activities, employing advertising agencies to assist therewith, providing promotional brochures, decals and other marketing materials, travel expenses, the expansion and improvement of Restaurant training to and for all Restaurants, product development, signage, brand/image campaigns, conferences, trainings, conventions, third party and employee fees and costs relating to the Advertising Fund, web site development/operation and to pay Internet, Intranet, 800 or similar numbers, and other charges, fees and/or expenses, and other items.

(iii) *Administration of the Advertising Fund.* We may maintain the Advertising Fund Contributions in a separate bank account or hold them in our general account and account for them separately, or we may establish separate entities to administer the Advertising Fund. The Advertising Fund Contributions and revenues (described in Section 7.3 of this Agreement) received will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs and overhead as we incur in activities reasonably related to the administration or direction of the Advertising Fund and our advertising programs (including, without limitation, conducting market research, preparing advertising and promotional materials, collecting and accounting for contributions to the Advertising Fund, and paying for the preparation and distribution of unaudited financial statements of the Advertising Fund). No percentage of the contributions to the Advertising Fund we collect will be used for advertising that is principally a solicitation for the sale of franchises but we reserve the right to include a message or statement in any advertisement indicating that franchises are available for purchase and related information.

An unaudited financial statement of the operations of the Advertising Fund will be prepared annually and will be made available to you upon written request. You understand and acknowledge that the Advertising Fund is intended to maximize general public recognition and patronage of Restaurants for the benefit of all Restaurants and that we undertake no obligation in administering the Advertising Fund to ensure that expenditures which are proportionate or equivalent to your contributions are made for the market area of the Franchised Restaurant or that any Restaurant benefits directly or pro rata from the placement of advertising. You will expend and/or contribute all amounts provided for advertising, marketing, promotion, and/or public relations and all Advertising Fund Contributions without reduction regardless of any perceived benefit by you to the Franchised Restaurant or the amount of contribution by other franchisees operating Restaurants in your region or whether franchisees in your region or outside of your region contribute to a regional fund (and the amount of their contribution, if any), any waiver, reduction, or deferral of Advertising Fund Contributions we may grant to any other franchisees, or the default of these advertising, marketing, and promotion, and/or public relations obligations by any other franchisees.

We will endeavor to apportion advertising to obtain the greatest benefit for all Restaurants. We will have complete control in our sole business judgment in relationship to the media placement, creative content and concepts utilized. Further, we will not be obligated to expend our own funds or resources for any national or regional advertising unless, in our sole business judgment, we agree to do so. Except as expressly provided in this Section 9.1, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the Advertising Fund. We intend the Advertising Fund to be of perpetual duration, but we maintain the right to terminate the Advertising Fund or to create new accounts or merge accounts. We will not terminate the Advertising Fund until all money in the Advertising Fund has been expended for advertising, marketing, public

relations or other appropriate purposes or returned to contributors on the basis of their respective contributions. The monies contributed to the Advertising Fund will not be considered to be trust funds. We and any designee will not have to maintain the monies in the Advertising Fund in interest bearing accounts or obtain any level of interest on the monies.

We and/or our affiliates and the Advertising Fund may develop advertising, marketing and other materials and promotional give-away items which we and/or our affiliates and the Advertising Fund may sell to you. We and/or our affiliates and the Advertising Fund may make a profit on the sale. Any earnings on the sale of all items sold by the Advertising Fund to franchisees, after all costs, including costs and overhead, if any, we incur, will be contributed to the Advertising Fund. Personnel of ours and of our affiliated companies may function like an in-house advertising agency. We may also choose to use regional or national advertising agencies.

We will spend all Advertising Fund Contributions for advertising, marketing, promotion, and/or public relations as described above, but we are not obligated to spend any Advertising Fund Contributions in the year in which you pay them. If we have excess monies in the Advertising Fund, we will make expenditures in the next year first from monies collected in prior years, next out of any earnings in the prior or current year and then from Advertising Fund Contributions collected in the current year. We make no representation regarding the deductibility of the Advertising Fund Contributions for tax purposes generally or for any specific tax year.

9.2 By Franchisee.

(i) *Franchisee Advertising, Marketing and Promotion.* You acknowledge the need to aggressively advertise, market and promote the Franchised Restaurant on a local basis. Accordingly, you agree to use best efforts to promote the business of the Franchised Restaurant and fully exploit the market through local advertising, marketing and promotion and agree to expend the funds that may be necessary to accomplish this result, subject to our approval of all proposed materials.

(ii) *Approval of Advertising, Marketing and Promotion.* You must conduct all advertising, marketing and promotion in a dignified manner. Your advertising must be coordinated and consistent with our marketing plans and strategies and conform to our standards and requirements we prescribe. All advertising and promotional materials, signs, decorations, and other items we designate must bear the Marks in the form, color, location and manner we prescribe. We must approve all advertising or promotional materials. Before you use them, you must send us for review samples of all advertising, promotional, and marketing materials that we have not prepared or previously approved. If you do not receive written disapproval within 15 days after we receive the materials, they are deemed to be approved. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved. At our request, you will include a message or statement in any advertisement, including any signs you purchase at your expense, indicating that franchises are available for purchase and related information.

(iii) *Advertising/Promotion Standards.* All advertising and promotion by you shall be completely factual and shall conform to the highest standards of ethical advertising. You shall, in all dealings with your customers, suppliers, the public, and us, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice that may be injurious to our business and the goodwill associated with the Marks and other Restaurants. Such injurious practice includes, but is not limited to, the duplication of copyrighted material, unless such material is for the account of the copyright owner or the copyright owner approves such duplication.

(iv) *Participation in System-wide Promotions.* You will participate in any System-wide promotion as we direct, use displays and promotional materials authorized by us in connection with

the promotion and coordinate your participation with us and our other licensees and franchisees as we may direct, at your expense.

(v) *Pre-Opening Marketing Promotion.* You will cooperate with our marketing department in the implementation of your Pre-Opening Marketing Promotion campaign. The campaign will be at your expense and subject to our prior written approval and will be conducted according to our specifications contained in the Manual. It may include a press party, on-site celebrity visit, radio or cable TV broadcasts, direct mail or similar distribution, tents, decorations and “free” food.

9.3 Internet Site Hosting; Electronic Communications. You may not maintain a World Wide Web site, conduct e-commerce, or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with the Franchised Restaurant without our prior written approval, which we may withhold for any reason or no reason. If we grant you written approval, you agree to submit to us for approval before use true and correct printouts of all Web site pages you propose to use in your Web site in connection with the Franchised Restaurant. You understand and agree that our right of approval of all such Web materials is necessitated by the fact that such Web materials will include and be inextricably linked with our Marks. You may only use material that we have approved. You may not post any of our proprietary, confidential or copyrighted material or information on the World Wide Web without our prior written permission. If we grant approval, you agree to list on the Web site any Web site maintained by us, and any other information we require in the manner we specify. The requirement for our prior approval set forth in this *Section* will apply to all activities on the Internet or other electronic communications network to be conducted by you, including email, texting, blogs and social networking sites. You agree to obtain our prior approval as provided above if you propose to send advertising to multiple addressees via e-mail.

9.4 Gift Certificates; Gift Cards; Loyalty Cards and Other System-Wide Marketing Programs. You acknowledge and agree that the best interests of the System and all Restaurants are likely to be maximized by a cooperative and consistent approach on a system-wide basis to certain promotional marketing campaigns, including but not limited to the offer and redemption of gift certificates and gift cards and stored value cards, maintenance of a loyalty card program, credit card acceptance policy and potential issuance of a branded credit card.

(i) *Gift Certificates, Gift Cards and Stored Value Cards.* Accordingly, in order to address customer desires and expectations concerning the use of Gift Certificates and stored value cards, upon notification by us of any proposed rules and specifications in the Manual or otherwise involving the sale and redemption of Gift Certificates and stored value cards applicable to the Franchised Restaurant, you will honor (or not honor) Gift Certificates and stored value cards presented by customers of the Franchised Restaurant according to our rules and specifications. The term “Gift Certificates” will include paper certificates, electronic gift cards, tokens or other instruments sold by us, our affiliates, you, or other franchisees or licensees, entitling the holder or bearer to a credit in the amount of the face value (or remaining balance) for purchases at the eligible Restaurants, as specified by us. We and our affiliates will supervise any programs for Gift Certificates and stored value cards. You will purchase from us, our affiliates or approved vendor, and offer for sale, the Gift Certificates and stored value cards, including any ancillary envelopes, card carriers and other related promotional materials we designate. You agree to comply with our rules and specifications, including reporting requirements and reimbursement procedures for the sale and redemption of Gift Certificates. Gift Certificates and stored value cards will not be refundable after they are issued unless used for purchases at applicable Restaurants unless otherwise required by law.

(ii) *Loyalty Cards and Other System-Wide Marketing Programs.* In order to address customer desires and expectations concerning the use of loyalty cards, you will participate in and abide by, at your cost, any loyalty card program and other system-wide marketing programs specified by us,

including participation in online ordering programs and designated e-commerce programs to serve as a retail support center or in another capacity for our e-commerce distribution activities. You will honor all credit cards and other payment methods we designate and enter into and maintain, at your expense, all necessary credit card or other payment agreements with the issuers of the designated cards or other payment processing vendor. Certain marketing programs may have associated transaction charges and service fees and may be administered by us or by a third-party vendor designated by us.

10. RECORDS AND REPORTS

(i) *Required Records and Retention.* During the Term, you agree, at your expense, to maintain at your principal office and preserve for five (5) years from the date of their preparation, or such greater period as may be required by applicable law, full, complete and accurate books, records and accounts prepared pursuant to the double entry method of accounting, utilizing the standard chart of accounts furnished and required by us, including, without limitation, employee records, cash receipts, purchase records, inventory records, general ledgers, itemized bank deposit slips and bank statements, copies of sales tax returns, and copies of such portions of your state and federal income tax returns as reflect the operation of the Franchised Restaurant, daily sales reports and supporting documentation as described from time to time in the Manual. You shall furnish the required reports based on the timetable in the Manual.

(ii) *Recordation of Sales; Computer System.* You will obtain a computer system, including all hardware, software, firmware, telecommunications infrastructure products, credit card, gift card and loyalty card processing equipment and support services as we specify in the Manual or otherwise. You will subscribe to an Internet service provider approved by us. Our approval or designation of a product or service or our approval or designation of a vendor or supplier does not constitute our guaranty or warranty of the product or services or of the vendor or supplier. You will also obtain telecommunications and computer infrastructure products required to support our information technology systems, including high-speed Internet access, and will keep those systems current in accordance with our specifications. Your computer system must be able to send and receive email and attachments on the Internet and provide access to the World Wide Web and otherwise support our then-current information technology system. You will sign any and all software licenses or other agreements requested by the vendor or supplier to enable you to lawfully use any such products and services and you and your employees will comply with all of the terms and conditions of any such software licenses or other agreements. We will have the right to access customer, financial, and all other information related to the operation of the Franchised Restaurant, from a remote location, without the need for consent, at the times and in the manner as we will require, in our sole and exclusive business judgment. You will install additions, substitutions, and upgrades to the hardware, software, firmware, telecommunications infrastructure products, credit card, gift card and loyalty card processing equipment and support services to maintain full operational efficiency and to keep pace with changing technology and updates to our requirements. You will access website(s) and/or intranets we maintain on a regular basis. We may elect to provide any information we are required to or desire to communicate to you solely through our website(s) and/or intranets or other electronic means without any need to provide you with a paper copy or other physical format. We may also authorize vendors and other third parties to communicate to you on our website(s) and/or intranets and you will access their communications if we direct. You will comply with all of our standards, specifications, policies and procedures related to the use of computers, the Internet and activities conducted over websites. You will not provide access over the Internet to any surveillance cameras without our written approval.

(iii) *Franchisee's Sales/Royalty Report.* You shall furnish to us on or before Friday of each week, in the form from time to time prescribed by us: (a) a report signed and verified by you accurately reflecting the Gross Sales of the Franchised Restaurant for the preceding week, and other data, information and supporting records, such as copies of invoices, as we from time to time require; and (b)

an annual statement of Gross Sales (which includes a weekly breakdown of Gross Sales) within forty-five (45) days after the close of each calendar year (or partial calendar year during the last year of the Term if the Term ends on a date other than December 31), simultaneously with any required year-end adjustment of the Royalty Fee.

(iv) *Additional Reporting.* Additional reporting will be required as outlined in the Manual.

(v) *Polling of Sales.* We shall have the right at any time to poll your computer system to retrieve and compile report information concerning your sales transaction activity. Such polling shall be conducted over modem in a non-invasive procedure.

(vi) *Records Subject to Inspection and/or Audit.* You shall maintain, readily available for our inspection, and shall furnish to us upon our request, exact copies of all of your state sales tax returns and federal and state income tax returns. In addition, you, at your expense, shall furnish to us (and our agents) for inspection or audit, such forms, reports, records, financial statements and other information as we may require, including, without limitation, records regarding software developed and/or modified by you.

(viii) *Financial Statements.* You shall prepare and furnish to us, within thirty (30) days after the end of each fiscal quarter, without request, a statement of profit and loss and a balance sheet for the Franchised Restaurant for the preceding fiscal quarter. You shall prepare and furnish to us, within sixty (60) days after the end of each fiscal year of the Franchised Restaurant, an annual statement of profit and loss and source and application of funds for the Franchised Restaurant and a balance sheet for the Franchised Restaurant as of your fiscal year end. Annual financial statements shall be signed and verified by you and accompanied by a review of a certified public accountant.

(ix) *Form of Statements; Accounting Methods.* Each weekly, monthly, quarterly, and yearly statement shall be: signed by you certifying the statement to us as being true, complete, and accurate; submitted in a format as may be, without obligation to do so, reasonably prescribed by us from time to time; and prepared in accordance with Generally Accepted Accounting Principles or an Other Comprehensive Bases of Accounting method as these terms are used by the Financial Accounting Standards Board or by the American Institute of Certified Public Accountants, or by their respective committees or by their successors.

(x) *Disclosure of Statements.* You hereby authorize us to disclose the financial statements, reports, and operating data to prospective franchisees, regulatory agencies, and others in our sole business judgment and in compliance with applicable laws, rules and/or regulations.

(xi) *Update of Information.* You shall immediately notify us of any material change in the information you provided to us in your franchise application since the date of the application, including negative material changes in financial condition, bankruptcy history and criminal history, and any change in your marital status, home address, home telephone number, home email address, business address, business telephone number, business email address, cell phone number, and of the owner of the Franchised Restaurant premises. If there is a negative material change in your financial condition, in addition to notifying us of the change, you shall provide your updated financial statements; and if you are a business entity and there is a negative material change in the financial statements of the individuals who provided information to us in your financial application or who otherwise guarantee your obligations, you shall provide us with their updated financial statements. You shall also provide updated personal financial statements, supporting materials and any other documentation we require within thirty days of any request by us. If there is change in your marital status, a new spouse shall become a party to this Agreement, or shall guarantee the obligations of an entity franchisee and agree to be bound jointly and

severally by all provisions of this Agreement, and in either case you and the new spouse shall sign an agreement in the form we prescribe to accomplish that result. We shall consider any request to remove a former spouse from this Agreement, but we may decline to do so in our business judgment. These obligations shall survive your transfer of this Agreement to an entity for convenience of ownership and shall remain binding on you individually.

11. AUDITS

11.1 Generally. We shall have the right at any time during business hours, and without prior notice to you, to inspect and audit, or cause to be inspected and audited, the business records, cash control devices, bookkeeping and accounting records, sales and income tax records and returns, computer records, and other records of the Franchised Restaurant and the books and records of any corporation or partnership which holds the franchise. You agree that we may access your computer system for said purposes. You shall fully cooperate with our representatives and independent accountants hired by us to conduct any such inspection or audit.

11.2 Understatement; Costs. In the event any such inspection or audit shall disclose an understatement of the Gross Sales of the Franchised Restaurant, you shall pay to us, immediately after receipt of the inspection or audit report, the Royalty Fee and any Advertising Fund contribution due on the amount of such understatement, plus interest at the rate and on the terms provided in Section 7.6(i) above, from the date originally due until the date of payment. Further, in the event such inspection or audit is made necessary by your failure to furnish reports, supporting records or other information, as required in this Agreement, or to furnish such reports, records or information on a timely basis, or if an understatement of Gross Sales for the period of any audit (which shall not be for less than three (3) months) is determined by any such audit or inspection to be greater than two percent (2%), you shall reimburse us for the cost of such audit or inspection, including, without limitation, the charges of any independent accountants and the travel expenses, room and board and compensation of our employee

11.3 s. The foregoing remedies shall be in addition to all of our other remedies and rights under this Agreement or applicable law.

12. ASSIGNMENT/TRANSFER OR OTHER DISPOSITION OF THE BUSINESS

12.1 By the Franchisor. This Agreement and the franchise is fully assignable by us and shall inure to the benefit of any assignee(s) or other legal successor(s) to our interest in this Agreement, provided that we shall, subsequent to any such assignment, remain liable for the performance of our obligations under this Agreement up to the effective date of the assignment.

You agree and affirm that we may sell ourselves, our assets, the Marks and/or the System to a third-party; may go public; may engage in private placement of some or all of our securities; may merge, acquire other business entities, or be acquired by other business entities; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. You further agree and affirm that we have the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as Restaurants operating under the Marks or any other marks following our purchase, merger, acquisition or affiliation, regardless of the location of these facilities, which you acknowledge may be proximate to the Franchised Restaurant. With regard to any of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of our name, Marks (or any variation thereof) and System and/or the loss of association with or identification of "Chaps Pit Beef" as us under this Agreement. If we assign our rights in this Agreement, nothing herein shall be deemed to require us to remain in the **CHAPS PIT BEEF®** or

FAMOUS CHAPS PIT BEEF 1987™ Restaurant business or to offer or sell any products or services to you.

12.2 Franchisee May Not Assign Without Approval of the Franchisor. You understand and acknowledge that the rights and duties created by this Agreement are personal to you or your owner(s) and that we have granted the franchise in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you or your owner(s). Therefore, except as provided below with respect to assignment to a business entity, neither the franchise nor the Franchised Restaurant (or any interest in the franchise or the Franchised Restaurant) nor any of the Franchised Restaurant's assets, nor any part or all of the ownership of you may be voluntarily, involuntarily, directly or indirectly assigned, sold, subdivided, sub-franchised or otherwise transferred by you or your owner(s) including, without limitation, by merger or consolidation, by issuance of additional securities representing an ownership interest in you, or, in the event of the death of you or an owner of you, by will, declaration of or transfer in trust or the laws of intestate succession, without our prior written approval, and any such assignment or transfer without such approval shall constitute a breach of this Agreement and convey no rights to or interests in the franchise or the Franchised Restaurant. We may offer to assist you to market the Franchised Restaurant by listing the Franchised Restaurant for sale on our website. If you elect to use our service, you will pay us our then current website marketing fee which we may deduct from your account pursuant to your authorization as described in Section 7.10.

12.3 Assignment to Entity Principally Controlled by Franchisee. If the proposed transfer is to a newly-formed corporation or limited liability company formed solely for the convenience of ownership that also owns or will own the assets of the Franchised Restaurant, our consent to transfer of this Agreement will also be conditioned on meeting all of the following requirements:

(i) You shall own 100% of the ownership interest in the transferee corporation or limited liability company, except that a minority of ownership interests in the transferee corporation or LLC may be owned by one or more persons who have agreed to guarantee the obligations of the transferee and have agreed to be bound jointly and severally by all applicable provisions of this Agreement pursuant to a continuing guaranty in form acceptable to us; and

(ii) That you are empowered to act for said business entity; and

(iii) That you shall submit to us a certified copy of a resolution approving and acknowledging execution of this Agreement; and

(iv) That you shall submit to us a true and complete list of the owners, showing the interest owned, by amending **Schedule 1** to this Agreement, and a list of the officers and directors; we shall be promptly notified of any changes in said lists; and

(v) The articles of incorporation, bylaws, certificate of formation, operating or limited liability company agreement and other organizational documents of the transferee corporation or limited liability company shall recite that the issuance and transfer of any securities is restricted by the terms of this Section and all certificates of ownership issued by said business entity at any time shall have endorsed thereon an appropriate legend referring to this Agreement by date and name of parties to this Agreement, and stating "Transfer of This Certificate is Limited by the Terms and Condition of a Franchise Agreement Dated _____;" and

(vi) That a copy of this Agreement shall be given to every owner; and

(vii) That a copy of the formation documents, Bylaws and other resolutions will be furnished to us at our reasonable request, and prompt notification in writing of any amendments to such documents will be provided to us; the documents and resolutions must be reasonably satisfactory to us in

our sole business judgment; during the term of this Agreement you agree before amending any of these documents or entering into new agreements, including any merger or other transaction which would result in a different corporation or limited liability company succeeding to the rights under this Agreement (even if the ownership of the new entity is the same as the old entity) to provide us with all proposed amendments and new documents for our approval, which we shall not unreasonably withhold or delay. and

(viii) That the number of ownership interests issued or outstanding will not be increased or decreased without prior written notice to us, which notice will in its terms guarantee compliance with this Agreement; and

(ix) The transferee corporation or limited liability company shall agree to be bound by all of the provisions of this Agreement and to assume and discharge all of your obligations hereunder pursuant to an assignment and assumption agreement in the form we then prescribe; and

(x) You shall maintain the corporation or limited liability company in good standing in the jurisdiction of its formation, and if applicable, also as a foreign business entity in the state in which the Franchised Restaurant is located, and you shall provide us with evidence of good standing and legal existence within 30 days following any request during the Term of this Agreement; and

(xi) All of the individual original franchisees shall guarantee the obligations of the transferee corporation or limited liability company under this Agreement and shall be bound jointly and severally by the terms and conditions of this Agreement which shall remain applicable to them, including but not limited to the provisions contained in Section 4 (pertaining to the Marks), Section 5 (pertaining to confidential information), Sections 5.3 and 15.4 (pertaining to covenants), Sections 8.4 (pertaining to compliance with applicable laws), Section 12 (pertaining to assignment/transfer/death and a right of first refusal), Section 16 (pertaining to enforcement, interpretation, governing law, dispute resolution, waiver of jury trial, class litigation and punitive damages), and Section 18 (pertaining to acknowledgments) and the general provisions, and shall sign an assignment and assumption agreement or other form of agreement in the form we prescribe confirming that they guarantee the obligations of the transferee corporation or limited liability company under this Agreement and continue to be bound jointly and severally by the applicable terms and conditions of this Agreement. Nothing contained in this Agreement shall be deemed to relieve the original individual franchisees of any of these obligations. Each person who becomes a shareholder or member of the franchisee entity or the spouse of a shareholder or member, during the term of this Agreement, shall also sign an agreement in the form we then prescribe guaranteeing the obligations of the entity under this Agreement and agreeing to be bound jointly and severally by the applicable provisions of this Agreement, which may include an agreement to be added to the assignment and assumption agreement, or a continuing guaranty and a separate confidentiality and noncompetition agreement satisfactory to us. Owners may make a separate agreement among them providing for purchase by the survivors among them of the interests of any owners upon death, or other agreements affecting ownership or voting rights, so long as voting control remains with those individuals who initially applied for and were approved as franchisees under this Agreement. Owners must notify us in writing of any such agreement, which affects control of said business entity.

12.4 Conditions for Approval of Assignment. If you and your owner(s) are in full compliance with this Agreement, we shall not unreasonably withhold our approval of an assignment (not covered under Section 12.3), provided that the proposed assignee(s) are, in our opinion, individuals of good moral character who have sufficient business experience, aptitude and financial resources to own and operate the Franchised Restaurant and otherwise meet our then applicable standards for franchisees, and further provided that the following conditions are met prior to, or concurrently with, the effective date of the assignment:

(i) All obligations of you and your owner(s) incurred in connection with this Agreement have been discharged or assumed by the assignee(s); and

(ii) You shall have paid such Royalty Fees, Advertising Fund contributions, and amounts owed for purchases by you from us and any affiliate which are then due and unpaid; and

(iii) The assignee(s) shall have completed to our satisfaction, the training program required of new franchisees; and

(iv) The assignee shall have proven to us its financial viability to undertake and perform the requirements of this Agreement; and

(v) The lessor shall have consented to your assignment or sublease of the lease to assignee(s), or such assignee(s) have secured substitute premises for the Franchised Restaurant which are approved by us; and

(vi) The assignee(s) and its or their owner shall have executed and agreed to be bound by the form of franchise agreement and such ancillary agreements as are then customarily used by us in the grant of franchises for Restaurants, which shall provide for:

(a) The then customary term for a franchise, commencing as of the effective date of the assignment, and the then customary Royalty Fee, Advertising Fund contributions and other rights and obligations of a Restaurant; or

(b) In the event of an assignment, the same Royalty Fees and Advertising Fund contributions required hereunder and a term equal to the remaining Term; and

(vii) You or the assignee(s) shall have paid an assignment fee to us in the amount of Two Thousand Five Hundred Dollars (\$2,500.00) to compensate us for the expenses incurred by us in reviewing and processing the transfer request, including without limitation, legal and accounting fees, credit and other investigation charges and evaluation of assignee(s) and the terms of the assignment; a separate transfer training fee for any trainees who must attend and complete to our satisfaction the initial franchisee (Operating Partner), initial General Manager, initial Kitchen Manager and initial Pit Master training programs, at our then current rates as described in Section 3.1, and the assignee will be responsible for all salaries, travel, lodging, meals and incidental costs for any trainees; and if we produced the transferee, you shall also pay us a sales commission in the amount of six percent (6%) of the “gross sale price” (an existing franchisee or an existing manager of any Restaurant will be considered to be produced by us); for the purposes of this Section the “gross sales price” shall include the assumption of any of your liabilities by the assignee, including any unpaid sales taxes and/or lease or other creditor debts; and

(viii) The assignee shall have replaced or refurbished fixtures, signs, equipment, furniture and furnishings, and otherwise modified the Franchised Restaurant's methods and operations in compliance with specifications and standards then applicable under new franchises for Restaurants; and

(ix) You and your owner(s) shall have executed a general release, in a form satisfactory to us, of any and all claims against us and any affiliate, officers, directors, employees and agents; and

(x) We shall have approved the material terms and conditions of such assignment, including, without limitation, that the price and terms of payment are not so burdensome as to adversely affect the future operations of the Franchised Restaurant by such assignee(s) in compliance with our then standard franchise agreement and ancillary agreements; and

(xi) You and your owner(s) shall reaffirm a covenant not to compete in favor of us and the assignee(s), all as contained within Section 15.4 of this Agreement; and

(xii) You and your owner(s) shall have entered into an agreement with us to subordinate assignee's purchase note or other obligations to you or your owner(s), if any, to those obligations owed to us; and

(xiii) We have not exercised our right of first refusal under Section 12.6 of this Agreement; and

(xiv) You have not retained a security interest in the franchise rights under this Agreement or the associated Restaurant assets following the assignment without our prior written consent, which consent we are under no obligation to provide.

12.5 Death or Disability of Franchisee.

(i) *Generally.* Upon the death or permanent disability of you or a principal owner of you, the executor, administrator, conservator or other personal representative of you or such principal owner, shall assign your interest in the franchise to a third party approved by us within a reasonable time. Such assignments (including, without limitation, transfers by bequest or inheritance) shall be subject to the same conditions as any other assignment hereunder and if the heirs or beneficiaries of any such person are unable to meet the conditions of Section 12.4 above, such personal representative shall have a reasonable time, not to exceed twelve (12) months from the date of your death or permanent disability, to dispose of the interest of you or such principal owner, which disposition shall be subject to all the terms and conditions for assignments as contained in Section 12.4 above and to our right of first refusal contained in Section 12.6 below. Failure to so dispose of the interest of you or such principal owner within said period of time shall constitute a breach of this Agreement.

(ii) *Non-Waiver of Claims.* Our consent to an assignment of an interest subject to the restrictions of this Section shall not constitute a waiver of any claims we may have against the assignor, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of the franchise by the assignee.

12.6 The Franchisor's Right of First Refusal. If you or your owner(s) shall at any time determine to sell an interest this Agreement, in the Franchised Restaurant, its assets, or any ownership in you (if you are a business entity), you or your owner(s) shall obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and shall submit an exact copy of such offer to us. We shall have the right, exercisable by written notice delivered to you or your owner(s) within thirty (30) days from the date of delivery of an exact copy of such offer to us, to purchase such interest in the Franchised Restaurant, its assets, or such ownership interest in you for the price and on the terms and conditions contained in such offer, provided that we may substitute cash for any form of payment proposed in such offer and shall not have less than thirty (30) days to prepare for closing. If we do not exercise our right of first refusal, we shall have thirty (30) days within which to approve (or disapprove) the assignee subject to the terms and conditions of Section 12.4 above.

If we do not exercise our right of first refusal, you or your owner(s) may complete the sale to such purchaser pursuant to and on the terms of such offer, subject to our approval of the purchasers as provided in Section 12.4 above, provided that if the sale to such purchaser is not completed within one hundred twenty (120) days after delivery of such offer to us, or there is a material change in the terms of the sale, we shall again have the right of first refusal provided in this Section. In the event that any assignment is not consummated, our right of first refusal shall survive any future requests by you.

13. SUCCESSOR FRANCHISE

13.1 Franchisee's Right to Successor Franchise. Upon expiration of the Term of this Agreement and the franchise, you shall have the right to enter into up to two (2) additional successor franchise agreements, each for a term of five (5) years, under our then current form of standard franchise agreement (modified to reflect that it is for a successor franchise agreement), provided you meet the conditions of Sections 13.2 and 13.3 and the following:

(i) You have substantially met all your obligations under this Agreement and have performed at a satisfactory level during the Term of this Agreement (or the term of the initial successor franchise agreement, if applicable); and

(ii) You maintain ownership or possessory leasehold rights to the Franchised Restaurant for a term coextensive to the renewal term to be granted by us and agree to replace or refurbish fixtures, signs, equipment, furniture and furnishings, and otherwise modify the Franchised Restaurant's methods and operations in compliance with specifications and standards then applicable under new franchises for Restaurants; or if you are unable to maintain possession of the Franchised Restaurant, or, in our judgment, the Franchised Restaurant should be relocated, you agree to initiate operations in another area in compliance with specifications and standards then applicable under new franchises for Restaurants; and

(iii) You pay us an initial franchise fee under the successor franchise agreement of Two Thousand Five Hundred Dollars (\$2,500.00), upon execution of the successor franchise agreement; and

(iv) If we then only enter into franchise agreements with individuals and not business entities, the individual owners of the business entity to which this Agreement was assigned for convenience of ownership pursuant to Section 12.3 must enter into the successor franchise agreement individually and must then assign the successor franchise agreement to the business entity pursuant to Section 12.3.

13.2 Notice of Renewal and Non-Renewal. You shall give us written notice of your desire to exercise your option to enter into a successor franchise agreement at least one hundred eighty (180) days prior to, but not more than one year prior to, the termination of the current franchise Term. We agree to give you written notice of any election by us not to enter into a successor franchise agreement no less than one hundred eighty (180) days prior to the termination of the current franchise Term, subject to our rights to terminate this Agreement or not enter into a successor franchise agreement if you subsequently are in default under this Agreement. A notice that we will not enter into a successor franchise agreement by us shall state the reasons for our refusal and the effective date of such refusal.

13.3 Successor Agreements/Releases. To enter into a successor franchise agreement, we, you and your owner(s), shall execute the form of franchise agreement and such ancillary agreements as are then customarily used by us in the grant of franchises for the ownership and operation of Restaurants (with appropriate modifications to reflect the fact that the agreement(s) relates to the grant of a successor franchise) and you and your owner(s) shall execute general releases, in form satisfactory to us, of any and all claims against us and any affiliate, officers, directors, shareholders, employees and agents. The successor franchise agreement may contain terms materially different with respect to the financial obligations contained in this Agreement, e.g., Royalty Fee, Advertising Fee, and transfer/assignment fee. Operational aspects may also vary in any subsequent agreements to this Agreement. Failure by you and your owner(s) to sign such agreement(s) and releases within sixty (60) days after delivery of such agreement(s) and releases to you shall be deemed an election by you not to enter into the successor franchise agreement.

14. TERMINATION OF THE FRANCHISE

14.1 By Franchisee. You may terminate this Agreement if you are in substantial compliance with this Agreement and we breach this Agreement and fail to cure such material breach within one hundred eighty (180) days after written notice of the material breach is delivered to us. In the event of termination by you, all of your post-termination obligations identified in *Section 15* of this Agreement shall not be waived but shall be strictly adhered to by you.

14.2 Pre-Operational Termination. We may, in our sole business judgment, terminate this Agreement prior to the opening of the Franchised Restaurant for any of the following:

(i) Your failure to select a suitable Location within ninety (90) days after execution of this Agreement; or

(ii) Your failure to secure the Location by lease or purchase within one hundred and eighty (180) days from the date of execution of this Agreement; or

(iii) Your failure to commence operating the Franchised Restaurant within nine (9) months after the Effective Date of this Agreement plus any approved extensions, as provided in Section 2.9; or

(iv) Your or your manager's inability to satisfactorily complete the training program, or other demonstration that you are unable to adequately manage and operate a Restaurant.

14.3 Termination By Franchisor Without Cure Period. Further, we shall have the right to terminate this Agreement upon five (5) days written notice, without affording you an opportunity to cure, for the following reasons:

(i) If you, or if you are a business entity, your shareholder, member or partner, becomes insolvent by reason of inability to pay debts as they mature; or

(ii) If you, or if you are a business entity, your shareholder, member or partner, files a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, dissolution or composition or other settlement with creditors under any law (which may or may not be enforceable under the Bankruptcy Act of 1978); or

(iii) If you abandon, surrender, transfer control of or fail to actively operate the Franchised Restaurant for a period of three (3) consecutive days, unless such failure to operate is due to fire, flood, earthquake or similar causes beyond your control; or

(iv) If you, or if you are a business entity, your shareholder, member or partner, are convicted of or plead no contest to a felony, a crime involving moral turpitude or any other crime or offense that is likely to adversely affect the reputation of the System and the goodwill associated with the Marks; nothing contained in this Agreement shall limit any other rights pertaining to termination; or

(v) If you operate the Franchised Restaurant or any phase of your business in a manner that presents a health or safety hazard to your customers, employees or the public; or

(vi) If you, or if you are a business entity, your shareholder, member or partner, have made a material misrepresentation to us before or after being granted the franchise, including underreports of any fees or royalties due us; or

(vii) If you and we agree in writing to terminate the franchise; or

(viii) If you, or if you are a business entity, your shareholder, member or partner, make an unauthorized assignment of the franchise or an ownership interest in you or the Franchised Restaurant; or

(ix) If you, or if you are a business entity, your shareholder, member or partner, misuse or make an unauthorized use of any Mark or commit any act which can be reasonably expected to materially impair the goodwill associated with any Mark; or

(x) If you, or if you are a business entity, your shareholder, member or partner, make any unauthorized use or disclosure of a trade secret of ours or the Confidential Information; or

(xi) If you fail to comply with any federal, state or local law or regulation applicable to the operation of the franchise; or

(xii) The Franchised Restaurant or the Location are seized, taken over or foreclosed by a government official in the exercise of his or her duties, or seized, taken over or foreclosed by a creditor, lienholder or lessor, provided that a final judgment against you remains unsatisfied for thirty (30) days (unless a supersedeas or other appeal bond has been filed); or a levy of execution has been made upon the license granted by this Agreement upon any property used in the Franchised Restaurant, and it is not discharged within five (5) days of such levy; or

(xiii) If you or an affiliate default under any other agreement with us or our affiliate (including another Franchise Agreement but excluding a Multi-Unit Development Agreement) and such default is not cured in accordance with the terms of such other agreement; or

(xiv) On the third failure within any twelve (12) month period to comply, if you previously failed on two (2) or more occasions within the same twelve (12) month period to comply with any one or more provisions of this Agreement, whether or not those prior failures to comply are corrected after notice thereof is delivered to you.

14.4 Termination By Franchisor with Cure Period. Further, we shall have the right to terminate the franchise upon written notice if following written notice of default for the following reasons, the defaults remain uncured after thirty (30) days or a shorter period if stated below:

(i) If you submit to us a financial report or other data, information or supporting records which understate by more than two percent (2%) the Royalty Fees and/or Advertising Fund contributions due for any reporting period and you are unable to demonstrate that such understatements resulted from an inadvertent error; or

(ii) If you fail or refuse to submit financial statements, reports or other operating data, information or supporting records when due; or

(iii) If you fail to assign the franchise or an interest in you of a deceased or disabled principal owner of you within the time required under Section 12.5; or

(iv) If you fail to comply with any other provision of this Agreement not listed in Sections 14.2 or 14.3 or in this Section 14.4, or with any mandatory specification, standard or operating procedure prescribed by us; or

(v) If you commit a default under the lease or purchase contract for the Franchised Restaurant and any equipment utilized in the operation of the Franchised Restaurant; or

(vi) If you fail to provide or maintain required insurance coverage; or

(vii) If you fail to pay any Royalty Fees, Advertising Fund contributions or amounts due for products and/or services purchased from us, any affiliates or other approved suppliers or vendors, or underreport same, and the default is not cured within seven (7) days of written notice.

14.5 Franchisor's Right to Purchase Assets. We have and you hereby grant to us (including our nominee) the option, for the period commencing on the termination or expiration date hereof, through and including thirty (30) days following the determination of the purchase price as described below, to purchase the furniture, fixtures, furnishings, equipment, supplies, signs, inventory, accounts receivable, licenses and permits at or for the Franchised Restaurant, and other personal property or any portion thereof at the Franchised Restaurant, and to hire your managers and employees. The purchase price shall be equal to the fair market value of such property not to exceed the depreciated book value on a straight-line basis for such property being purchased. The said fair market value and depreciated book value shall be reasonably determined by us; you may submit your books and records, receipts, and other proof of value in order to assist us in fairly determining said values. Such payment to you shall immediately vest us with title to all such property being purchased, and if the same is subject to any liens or security interests, we shall have the benefit of all credits for payments and deposits thereon to which you otherwise are entitled, and the unpaid balance of any such liens or security interests shall be deducted from the amount of any payment required to be made hereunder. We shall not be required to pay any amount for any "going concern" value, intangibles or good will arising from the operation of the Franchised Restaurant, or for any furniture, furnishings, fixtures, equipment, inventory, supplies or signs furnished in whole or in part by the landlord, us or any other party without charge to you. The purchase price shall be paid in cash after first deducting all sums accrued but unpaid by us to you under this Agreement, including, without limitation, funds advanced or to be advanced by us to cure any existing defaults of yours under the Lease and other leases or contracts with third-parties or with regard to payments owed to governmental agencies. You shall execute such assignments, deeds, bills of sale or other instruments of conveyance, as we shall reasonably request in order to effectuate the transfer of title. Upon your refusal or failure to execute such documents or instruments, you hereby irrevocably appoint us, by and through any of our officers as we may select, as your attorney-in-fact to execute such documents or instruments.

15. RIGHTS AND OBLIGATIONS OF THE FRANCHISOR AND FRANCHISEE UPON TERMINATION, EXPIRATION OR TRANSFER OF THE FRANCHISE

15.1 Payment of Amounts Owed to the Franchisor. You agree to pay to us within fifteen (15) days after the effective date of termination or expiration of this Agreement or on the date of closing of any transfer of this Agreement, or such later date that the amounts due to us are determined, such Royalty Fees, Advertising Fund contributions, amounts owed for products and/or services purchased by you from us or our affiliate, interest due us on any of the foregoing and all other amounts owed to us which are then unpaid.

15.2 Cease Operations; De-Identify; Cease Use of Marks. You agree that after the termination, expiration or transfer of this Agreement, you will:

(i) Immediately cease to operate the Franchised Restaurant, and will not thereafter, directly or indirectly, represent to the public or publicly hold yourselves or your business out as one of our present or former franchisees, except in connection with another Restaurant operated under an unexpired and non-terminated franchise agreement with us;

(ii) Not directly or indirectly at any time or in any manner identify yourself (except in any non-public resume, C.V., job application, franchise application, loan application or similar non-public document) or your business as a current or former Restaurant, or as a franchisee, licensee or dealer of or as otherwise associated with, or formerly associated with us, or use any Mark, any colorable

imitation of any Mark or other insignia of a Restaurant in any manner or for any purpose, or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with us or our affiliate, except in connection with another Restaurant operated under an unexpired and non-terminated franchise agreement with us;

(iii) Return to us (or deliver to your transferee, as we direct in the case of a transfer) all signs, sign faces, catalogs, copies of customer lists, advertising and promotion materials, forms, and other materials containing a Mark or other identification relating to a Restaurant;

(iv) Immediately turn over to us or at our direction, to the transferee or another person, all manuals, including the Manual, records, files, instructions, correspondence, and all other materials related to operating the Franchised Restaurant including brochures, agreements and any other materials relating to the operation of the Franchised Restaurant in your possession;

(v) Take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to your use of any Mark;

(vi) At our request, you will transfer to us (or other party we designate), at your cost, all telephone numbers, directory listings, facsimile numbers, Internet numbers, domain names and e-mail addresses in use or owned by you on the date of termination, and inform the Yellow Pages and any other directory of the transfer. As between you and us, we have the sole rights to and interest in all telephone numbers, directory listings, facsimile numbers, Internet numbers, domain names and e-mail addresses associated with the Franchised Restaurant and the Marks. Where no such request is made, you will promptly cancel and discontinue use of the telephone numbers, directory listings, facsimile numbers, Internet numbers, domain names and e-mail addresses which served the Franchised Restaurant at the time of termination or expiration and delete your listing in the Yellow Pages and any other directory for the area of the Franchised Restaurant's location, including directories on the Internet. You will de-install any of our proprietary software and allow us access to your computer system for removal of customer and other data files. You hereby constitute and irrevocably appoint us, pursuant to the terms of this Franchise Agreement, with full power of substitution and revocation by us, as your true and lawful attorney-in-fact, to the full extent permitted by law to cancel, terminate, assign, discontinue or take any and all lawful action with respect to all telephone, facsimile, Internet numbers, domain names and e-mail addresses which serve the Franchised Restaurant, including, without limitation, the power to take the steps as, in our opinion, may be necessary to delete your listing or advertising in the Yellow Pages and any other directories and to terminate any other listing which indicates that you are or were affiliated with the System. You will indemnify and hold harmless each telephone company, directory publisher, Internet provider and other person or entity against all costs, damages, attorneys' fees, expenses and liabilities which may be incurred or sustained in connection with or as a result of any action taken in reliance on the foregoing power of attorney;

(vii) Make all modifications or alterations to the premises operated hereunder immediately upon termination or expiration of this Agreement as may be necessary to prevent the operation of any restaurant business at the premises of the Location either by you or others in derogation of this Section 15.2, unless we elect to assume the lease or to lease the premises if you own the premises, in which case you will at our direction, take all steps necessary to allow us to assume the lease or lease the property and immediately vacate the premises. In addition you will make any specific changes to the Location's premises as we or our designees may reasonably request to protect the Marks and to de-identify the Location. If you fail to make the modifications, we will have the right to re-enter the premises and make the modifications or alterations to the premises; you will reimburse us for our costs plus a reasonable fee for our services;

(viii) Promptly pay all sums owing to the landlord of the premises and to third party vendors and suppliers, including the local telephone company, for all charges and fees incurred in connection with your business and the operation of the Franchised Restaurant;

(ix) Furnish to us within thirty (30) days after the effective date of termination, expiration or transfer evidence satisfactory to us of your compliance with the foregoing obligations.

15.3 Confidential Information. You agree that upon termination, expiration or transfer of this Agreement, you will immediately cease to use our Confidential Information disclosed to you pursuant to this Agreement in any business or otherwise and will return to us all copies of the Manual which have been loaned to you by us. You will discontinue any use of our recipes and menu.

15.4 Covenant Not to Compete.

(i) *Reason for Covenant.* You acknowledge that the Marks, the business and reputation associated therewith, the methods and techniques employed by us, the training and assistance provided hereunder, and the knowledge of our methods, operations and services, contacts and experience acquired by you are of considerable value and would not be acquired except through implementation of this Agreement. Further, you acknowledge that we and Licensor have devoted time and expended considerable funds in the development and testing of the Restaurant concept. You further acknowledge that this information, which includes but is not necessarily limited to that contained in the Manual, is not generally known in the industry and is beyond your own present skills and experience, and that to develop it yourself would be expensive, time-consuming and difficult. You further acknowledge that our information provides a competitive advantage and will be valuable to you in the development of your business, and that gaining access to it is therefore a primary reason why you are entering into this Agreement. Accordingly, you agree that Confidential Information, which may or may not be “trade secrets” under prevailing judicial interpretations, is private and valuable, and constitutes trade secrets belonging to us. Further, you agree that competition by persons or entities associated with the franchise could seriously jeopardize the entire System and us because you have received an advantage through the knowledge of the day-to-day operations, the Confidential Information and the trade secrets of the System.

(ii) *Covenants.* Upon expiration, termination, non-renewal, or transfer of this Agreement for any reason, except as otherwise approved in writing by us, you, your officers, directors, owners and any employees who are a General Manager, Kitchen Manager and Pit Master shall not have any direct or indirect interest as an owner, director, manager, officer, employee, consultant, representative or agent, and will not lease real estate to or finance, or serve or act in any other capacity, in any other competitive service, business or activity in which twenty-five percent (25%) or more of the sales volume shall be derived from the sale of pit beef, BBQ, ribs, ham, turkey and/or any type of burgers or hot dogs or similar sandwich, including any kind of beef, turkey, BBQ, sausage or chicken, for a continuous uninterrupted period commencing upon the expiration, termination, non-renewal, or transfer of this Agreement for any reason, or the date you, your officers, directors, owners and any employees who are a General Manager, Kitchen Manager and Pit Master, as applicable, cease the prohibited interest in the competitive service, business or activity, if later, and continuing for two (2) years thereafter, at the Location, within the Protected Area or within a five (5) mile radius of the Location or within a five (5) mile radius of any Restaurant open or under construction on the date this Agreement expires or terminates or your interest in this Agreement is transferred. Full service restaurants where customers are served by wait staff and pay after eating are exempt. This covenant will also not prohibit your operation of any other franchise which we grant to you or your ownership of less than a five percent (5%) beneficial interest of the outstanding equity securities of any publicly held entity.

You, your officers, directors, owners and any employees who are a General Manager, Kitchen Manager and Pit Master, upon expiration, termination, non-renewal or transfer of this

Agreement, for a continuous uninterrupted period of two (2) years, shall not divert, or attempt to divert, directly or indirectly, any business, business opportunity, or customer of the Franchised Restaurant to any competitor or do or perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(iii) *Reasonableness of Covenant.* You further acknowledge and agree that this covenant is reasonable both in time and in scope of geographic area. You acknowledge and agree that your failure to adhere strictly to the restrictions of this *Section* will cause substantial and irreparable damage to us on which there is no adequate remedy at law. You also acknowledge and represent that you have sufficient education, knowledge, and training to earn a living outside operating or participating in a business competitive with the services offered by a Restaurant. Therefore, you hereby acknowledge that any violation of the terms and conditions of this covenant shall give rise to an entitlement to injunctive relief.

(iv) *Equitable Relief.* We shall still have an independent right to apply for equitable relief, including an injunction, regardless of the enforceability of any other section within this Agreement. We shall not be required to arbitrate this or any equitable claim against you arising out of this covenant. You agree that the provisions of this Section 15.4 are and have been a primary inducement to us to enter into this Agreement, and that in the event of breach thereof we would be irreparably injured and would be without adequate remedy at law. Therefore, in the event of a breach or a threatened or attempted breach of any of such provisions, we shall be entitled, in addition to any other remedies which we may have hereunder or at law or in equity (including the right to terminate this Agreement), to a preliminary and/or permanent injunction and a decree for specific performance of the terms hereof without the necessity of showing actual or threatened damage, and without being required to furnish a bond or other security.

(v) *Severability.* Further, the parties agree that each section of this Agreement, including subsections, is severable. In the event that any section or subsection of this Agreement is unenforceable, it shall not affect the enforceability of any other section or subsection and each party to this Agreement stipulates and agrees that the Court may impose terms that it deems in its discretion shall make the covenant reasonable in terms of its scope, duration and geographical restraint. Further, to the extent a court of competent jurisdiction finds a violation of any of these covenants, the restrictive period shall be tolled from the date of the first violation to the date of the court's order.

(vi) *Reduction in Scope.* You understand and acknowledge that we will have the right, in our sole and exclusive business judgment, to reduce the scope of any covenant set forth in this Section 15.4 (and Section 5.4), or any portion thereof, without your consent, effective immediately upon your receipt of written notice of that fact, and you agree to comply with any covenant as so modified, which will be fully enforceable notwithstanding the provisions of Section 16.7 of this Agreement.

(vii) *Attorneys' Fees.* In addition, you agree to pay our reasonable attorneys' fees and all other reasonable costs incurred in the prosecution of any action between the parties to enforce the covenants in this Section, provided we prevail in said action.

15.5 Continuing Obligations. All of your obligations that expressly or by their nature survive the expiration, termination or transfer of this Agreement shall continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

16. ENFORCEMENT

16.1 Severability and Substitution of Valid Provisions.

(i) Except as expressly provided to the contrary in this Agreement, each section, subsection, term and provision of this Agreement, and any portion of each section, subsection, term and provision of this Agreement, shall be considered severable and if, for any reason, any such portion of this Agreement is held to be invalid, contrary to, or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which we are a party, that ruling shall not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, which shall continue to be given full force and effect and bind the parties to this Agreement, although any portion held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires, if you are a party thereto, otherwise upon your receipt of a notice of non-enforcement thereof from us.

(ii) If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this Agreement than is required hereunder, or the taking of some other action not required hereunder, or if under any applicable and binding law or rule of any jurisdiction any provision of this Agreement or any specification, standard or operating procedure prescribed by us is invalid or unenforceable, the prior notice and/or other action required by such law or rule shall be substituted for the comparable provisions of this Agreement, and we shall have the right, in our sole business judgment, to modify such invalid or unenforceable provision, specification, standard or operating procedure to the extent required to be valid and enforceable. We shall not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, arbitration, hearing or dispute relating to this Agreement or the termination thereof. You agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions of this Agreement, or any specification, standard or operating procedure prescribed by us, any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which we are a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order. Such modifications to this Agreement shall be effective only in such jurisdiction, unless we elect to give them greater applicability, and shall be enforced as originally made and entered into in all other jurisdictions.

16.2 Waiver of Obligations.

(i) We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice of such waiver or reduction to the other or such other effective date stated in the notice of waiver. Whenever this Agreement requires our prior approval or consent, you shall make a timely written request for such approval or consent, and such approval or consent shall be obtained in writing. If, for any reason or no reason, we deny approval or consent, and you seek legal redress for such denial, the only relief to which you will be entitled is to acquire our approval or consent. You are not entitled to any other relief or damages for our denial of approval or consent for any reason or no reason.

(ii) We make no warranties or guaranties upon which you may rely, and assume no liability or obligation to you, by granting any waiver, approval or consent to you, or by reason of any neglect, delay or denial of any request therefore. Any waiver granted by us shall be without prejudice to any other rights we may have, will be subject to continuing review by us, and may be revoked, in our sole

business judgment, at any time and for any reason, effective upon delivery to you of ten (10) days prior written notice.

(iii) We and you shall not be deemed to have waived or impaired: any right, power or option reserved by this Agreement (including, without limitation the right to demand exact compliance with every term, condition and covenant in this Agreement or to declare any breach of this Agreement to be a default and to terminate the franchise prior to the expiration of its Term) by virtue of any custom or practice of the parties at variance with the terms in this Agreement; any failure, refusal or neglect of us or you to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations hereunder, including, without limitation, any mandatory specification, standard, or operating procedure; and waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether of the same, similar or different nature, with respect to other Restaurants; or our acceptance of any payments due from you after breach of this Agreement.

(iv) We assume no liability or obligation to you or any third party to whom we would not be otherwise liable by providing any waiver, approval, consent or suggestion or by reason of any neglect, delay or denial of a request. We will not be liable if we waive any breach or default in performance by you or any other franchisee.

(v) Neither we nor you shall be liable for loss or damage or deemed to be in breach of this Agreement if either of our failure to perform either of our obligations results from: (1) transportation shortages, inadequate supply of labor, material or energy, customs or importation problems, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate requests, recommendations or instructions of any federal, state or municipal government or any department or agency of any federal, state or municipal government; (2) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state or municipal government or omissions of the other party; (3) fires, strikes, embargoes, war, or riot; or (4) any other similar event or cause. Any delays resulting from any of said causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable.

16.3 Franchisee May Not Withhold Payments. You agree that you will not, on grounds of the alleged non-performance by us of any of our obligations hereunder, withhold payment of any Royalty Fees, Advertising Fund contributions, amounts due to us or our affiliate for products and/or services purchased by you or any other amounts due us or any affiliate.

16.4 Governing Law; Dispute Resolution; Waivers of Jury Trial, Class Litigation and Punitive Damages.

(i) The Federal Arbitration Act will govern all questions about the enforceability and scope of *Section 16.4(iii)* and no arbitration issues will be resolved under any state statutes, regulations or common law. Otherwise, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement and the franchise independent contractor relationship shall be governed by the laws of the State of Maryland (without reference to its principles of conflicts of law), provided that any law of the State of Maryland that regulates the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this *Section*. If we move our corporate headquarters, we shall have the option of determining that the substantive law of the state to which we move will replace all references to Maryland in this Agreement or of continuing to have Maryland law apply. If we choose to have the law of the new state apply, we will so notify all franchisees within six months of our move, and the chosen law will apply to all franchisees thereafter; except any franchise registration or disclosure law or any franchise

relationship law of the new state will only apply where the jurisdictional requirements of the law are met independently without reference to this *Section*.

(ii) Before any party takes any steps to arbitrate or litigate any dispute or claim arising out of or related to this Agreement or any other agreement between you and us or the breach thereof (including, but not limited to contract, tort and statutory claims) (“*Dispute*”), the following is required, except as otherwise provided in this Agreement, including but not limited to Section 16.4(v):

(A) The aggrieved party must give the other party (or parties) written notice of any Dispute (the “*Dispute Notice*”). The Dispute Notice will be addressed to the individual or the operating principal, president, general partner, manager or other executive officer of an entity, as applicable.

(B) Within fifteen (15) days after delivery of the Dispute Notice, the receiving party will submit a written response to the other parties. The Dispute Notice and the response will include with reasonable particularity (1) a statement of the sending party’s position and a summary of arguments supporting that position, and (2) the name and title of the executive who will represent that party and of any other person who will accompany the executive. Within thirty (30) days after delivery of the Dispute Notice, a representative from each entity that is a party or the individual party involved in the Dispute will meet where our corporate headquarters are then located at a mutually acceptable time to attempt in good faith to resolve the Dispute.

(C) If the Dispute has not been resolved within sixty (60) days after delivery of the Dispute Notice, any party to the Dispute, by written notice to the other parties, may initiate mediation, which will be conducted under the auspices of JAMS, Inc. (“*JAMS*”), or its successor, under its rules governing mediation, in Baltimore, Maryland, or in a city we or JAMS select close to where our headquarters are then located, by a mediator selected from the JAMS panel. The parties will cooperate with JAMS and with one another in selecting a mediator from the JAMS panel of neutrals and in scheduling the mediation proceedings. Each party will bear its own costs with respect to the mediation and the parties will share the cost of the mediation fee equally, except as otherwise provided in Section 16.4(v). Once a party has submitted a Dispute to mediation, the obligation to attend will be binding on both parties. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by any of the parties, their agents, employees, experts and attorneys, and by the mediator or any JAMS employees, are confidential, privileged and inadmissible for any purpose, including impeachment, in any arbitration or other proceeding involving the parties, provided that evidence that is otherwise admissible or discoverable will not be rendered inadmissible or non-discoverable as a result of its use in the mediation.

(D) If the Dispute is not resolved by mediation within one hundred twenty (120) days after the delivery of Dispute Notice, then any party to the Dispute may commence arbitration as provided in Section 16.4(iii) below.

(iii) Any and all Disputes arising out of or relating to this Agreement or the breach thereof (including, but not limited to contract, tort and statutory claims) that the parties do not settle through discussion or mediation will be settled exclusively by arbitration held in accordance with the JAMS Comprehensive or Streamlined Arbitration Rules for non-consumer disputes. The hearing will be before a single arbitrator and not a panel, to be held at Baltimore, Maryland, or in the city where our headquarters are then located. The individual arbitrator shall be experienced in the operation of franchise systems either as attorney, accountant or businessperson. The arbitrator’s award will be final. Either party may initiate arbitration with respect to the Dispute by filing a written demand for arbitration at any time following the initial mediation session or at any time following sixty (60) days from the date of filing the written request for mediation, whichever occurs first (the “*Earliest Initiation Date*”). The mediation may continue after the commencement of arbitration if the parties so desire. At no time prior

to the Earliest Initiation Date will either side initiate an arbitration or litigation related to this Agreement except to pursue a provisional remedy that is authorized by law or by JAMS Rules or by agreement of the parties, including as provided in Section 16.4(v). However, this limitation is inapplicable to a party if the other party refuses to comply with the requirements to negotiate and then mediate above. All applicable statutes of limitation and defenses based upon the passage of time shall be tolled until fifteen (15) days after the Earliest Initiation Date. The parties will take such action, if any, required to effectuate such tolling. Unless prohibited by applicable law, any Dispute must be brought by filing a written demand for arbitration within one (1) year following the conduct, act or other event or occurrence first giving rise to the claim; otherwise, the right to any remedy shall be deemed forever waived and lost. The arbitrator shall render a binding and legally enforceable award that may be confirmed by a court of competent jurisdiction upon application of the prevailing party. Each party shall initially bear its own attorneys' fees and other costs of the arbitration plus fifty percent (50%) of the cost of any arbitration fees or costs. The arbitrator, however, shall in his/her discretion have the authority to award to the prevailing party all costs of the proceeding, including the arbitrator's costs, out-of-pocket disbursements and reasonable attorneys' fees. The arbitrator will not have the authority to: (a) award exemplary or punitive damages; (b) stay the effectiveness of any pending termination of this Agreement; or (c) render any award that modifies or suspends any lawful provision of this Agreement.

(iv) Any Dispute and any mediation and arbitration will be conducted and resolved on an individual basis only and not a class-wide, multiple plaintiff or similar basis. Any such mediation and arbitration proceeding will not be consolidated with any other mediation or arbitration proceeding involving any other person, except for disputes involving affiliates of the parties to such mediation or arbitration. The parties agree that, in connection with any such arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the Dispute to which it relates. Any such Dispute which is not submitted or filed in such proceeding will be barred. Any arbitration award will have a binding effect only on the actual Dispute arbitrated, and will not have any collateral effect on any other Dispute whatsoever, whether in litigation, arbitration, mediation, or other dispute resolution proceeding.

(v) Notwithstanding the foregoing, the infringement of the Marks, the System or copyrighted items, unauthorized disclosure of Confidential Information and violations of the confidentiality or non-competition covenants may cause irreparable harm to us, other franchisees of ours and the System as a whole. Accordingly, claims by either party related to these acts shall not be subject to the mediation and arbitration procedure, including but not limited to, claims for liquidated or punitive damages arising from any such infringement, unauthorized disclosure, or violation of a confidentiality or non-competition covenant. Either party may institute any action against the other related to these acts in any state or federal court of general jurisdiction in the county or district in which our headquarters is located (currently, Baltimore, Baltimore County, Maryland) except that we may obtain injunctive relief in any appropriate forum against actual or threatened conduct that will cause loss or damages, under the usual equity rules. The parties each irrevocably submit to the jurisdiction of such court and waive any objection such party may have to either the jurisdiction or venue of such court.

(vi) The sole entity against which you may seek damages or any remedy under law or equity for any claim is our entity, or our successor or assign. The shareholders, directors, officers, employees, agents and representatives of our entity, any parent or any of our subsidiaries or affiliates and their shareholders, directors, officers, employees, agents and representatives, shall not be named as a party and shall have no liability hereunder in any proceedings commenced by you if the claim arises out of or relates to this Agreement.

(vii) Nothing contained in this Agreement shall bar our right to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause us loss or damage, under customary equity rules, including applicable rules for obtaining restraining

orders and preliminary injunctions. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and your sole remedy, in the event of the entry of such injunction, shall be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If we secure any such injunction, you agree to pay to us an amount equal to the aggregate costs of obtaining such relief, including, without limitation, reasonable attorneys' fees, costs of investigation, court costs, and other litigation expenses, travel and living expenses, and any damages incurred by us as a result of the breach of any provision of this Agreement.

(viii) WE AND YOU, RESPECTIVELY, WAIVE ANY RIGHT WE OR YOU MIGHT HAVE TO TRIAL BY JURY ON ANY AND ALL CLAIMS ASSERTED AGAINST THE OTHER. WE AND YOU, RESPECTIVELY, EACH ACKNOWLEDGE THAT WE AND YOU, RESPECTIVELY HAVE HAD A FULL OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL CONCERNING THIS WAIVER, AND THAT THIS WAIVER IS INFORMED, VOLUNTARY, INTENTIONAL AND NOT THE RESULT OF UNEQUAL BARGAINING POWER.

(ix) YOU AGREE TO MEDIATE, ARBITRATE, OR LITIGATE EACH DISPUTE WITH US ON AN INDIVIDUAL BASIS. YOU WILL NOT CONSOLIDATE ANY DISPUTE IN ANY MEDIATION, ARBITRATION, OR LITIGATION, WITH A CLAIM OF ANY OTHER FRANCHISEE, INDIVIDUAL, OR ENTITY, AND YOU WILL NOT PURSUE ANY CLASS CLAIMS IN ANY FORUM THAT ARISE OUT OF OR RELATE TO THIS AGREEMENT. YOU FURTHER AGREE THAT IF THE APPLICABLE JAMS ARBITRATION RULES PURPORT TO INVALIDATE, OR OTHERWISE WOULD RESULT IN A FAILURE TO ENFORCE, THIS PROHIBITION ON CLASS AND CONSOLIDATED ARBITRATIONS, THE ARBITRATION SHALL BE CONDUCTED PURSUANT TO THE COMMERCIAL RULES OF THE AMERICAN ARBITRATION ASSOCIATION ("AAA"). IN THE EVENT THAT THE APPLICABLE RULES OF BOTH JAMS AND AAA PURPORT TO INVALIDATE, OR OTHERWISE WOULD RESULT IN A FAILURE TO ENFORCE, THIS PROHIBITION ON CLASS AND CONSOLIDATED ARBITRATIONS, YOU AGREE THAT THE ARBITRATION SHALL BE CONDUCTED IN BALTIMORE, MARYLAND, BEFORE AN ARBITRATOR APPOINTED BY A FEDERAL COURT PURSUANT TO SECTION 5 OF THE FEDERAL ARBITRATION ACT, 9 U.S.C. § 5, OR BY A MARYLAND STATE COURT PURSUANT TO THE MARYLAND UNIFORM ARBITRATION ACT.

(x) YOU AND WE HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES. THE ARBITRATOR MAY AWARD INJUNCTIVE RELIEF AS WELL AS DAMAGES, BUT WILL HAVE NO AUTHORITY TO AWARD PUNITIVE OR EXEMPLARY DAMAGES.

(xi) In the event any arbitration or legal proceedings between the parties arise under this Agreement, the prevailing party will be entitled to recover reasonable attorneys' fees, arbitration and court costs from the other party, at all proceeding, trial and appellate levels.

(xii) No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor will it be deemed, exclusive of any other right or remedy under this Agreement or by law or equity provided or permitted, but each will be cumulative of every other right or remedy.

(xiii) Any ruling invalidating any portion of the arbitration clause, or any provision of this Agreement, will not affect the validity of the remainder of the arbitration clause. In addition, in the event that the prohibition against punitive and exemplary damages set forth in Section 16.4(x) is held to

be unenforceable, the parties agree that any punitive damage award would be subject to and limited by the due process limitations of the United States Constitution and any other limitations on punitive damages that would otherwise apply under state or federal law.

16.5 Binding Effect. This Agreement is binding upon the parties to this Agreement and their respective executors, administrators, heirs, assigns and successors in interest.

16.6 Entire Agreement. This Agreement, together with the documents and schedules attached hereto, contains and reflects the entire agreement and understanding of the parties relating to the subject matter of this Agreement and there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement. All prior negotiations, commitments, representations and understandings of the parties (written or oral) not specifically contained in this Agreement are merged into this Agreement, and no prior representations, inducements, promises or agreements not embodied in this Agreement survive the execution of this Agreement. Provided, however, any representations made by us to you in the most recent Franchise Disclosure Document delivered by us to you in connection with your entry into this Agreement, including its exhibits and any amendments, shall survive the execution of this Agreement.

16.7 Amendment. The parties agree that no modification of this Agreement will be valid unless both parties sign such modification in writing, except for modifications to the Manual, which may be made solely by us. No waiver of this Agreement will be effective unless it is in writing and signed by the party or parties against whom such amendment or waiver is to be enforced.

16.8 Nature and Scope; Construction.

(i) If any provision of this Agreement may be construed in two ways, one of which would make the provision illegal or unenforceable and the other which is valid and enforceable, the provision will have the meaning which makes it enforceable. This Agreement is to be read according to its fair meaning and is not to be interpreted strictly against either party. The Parties intend that this Agreement be enforceable to the fullest extent. If any court finds that any provision is not enforceable as written, we and you agree that the provision be amended so that it is enforceable to the fullest extent permissible under applicable law and public policy. The provisions of this Agreement are severable. If any provision of this Agreement or the Manual is found to be invalid, the remaining provisions of this Agreement or the Manual will be considered valid and enforceable, and partially valid provisions will be enforced to the extent that they are valid and enforceable. The titles of the sections and paragraphs are for convenience only and are not a part of the text of this Agreement. Except as expressly provided herein, nothing in this Agreement confers any rights or remedies on any person or legal entity not a party to this Agreement. Time is of the essence under this Agreement.

(ii) The parties incorporate into this Agreement the paragraphs set forth above under the BACKGROUND Section as if set forth in full. The BACKGROUND Section at the beginning of this Agreement contains contractual terms that are not mere recitals.

(iii) The term "you" or "franchisee" as used in this Agreement is applicable to one or more persons, a corporation, or limited liability company, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two or more persons are at any time the franchisee under this Agreement, their obligations and liabilities to us shall be joint and several. References to "you," "franchisee" and "assignee" which are applicable to an individual or individuals shall mean the principal owner(s) of the equity or operating control of the franchisee entity or the assignee, if the franchisee or the assignee is a corporation or limited liability company.

(iv) This Agreement may be executed in multiple copies, each of which shall be deemed an original.

17. NOTICE AND PAYMENT

17.1 Notice. You and we agree that all written notices which are required by this Agreement or the Manual will be considered delivered three (3) days after being placed in the U.S. Mail, by certified mail, return receipt requested or one (1) day after being sent by Federal Express or other receipted overnight courier service, if they are sent to the address for each party cited on the cover page at the beginning of this Agreement or to another address, as long as the party with the changed address has notified the other party in writing in accordance with this Section 17. Notwithstanding the foregoing, rejection or refusal to accept any notice, or the inability to deliver any notice because of a changed address of which no notice was given pursuant to this Section 17, will be deemed receipt of the notice. In addition, we may elect to provide any information we are required to or desire to communicate to you solely through our website(s) and/or intranets or other electronic means, including email, without any need to provide you with a paper copy or other physical format. You will provide us with your current home address and email address at all times.

17.2 Payment. All payments and reports required by this Agreement shall be directed to us at the address notified to you from time to time, or to such other persons and places as we may direct from time to time. Any required payment or report not actually received by us during regular business hours on or before the date due, or not sent to us on the date due by Express Mail or equivalent, shall be deemed delinquent.

18. ACKNOWLEDGEMENTS.

18.1 Acknowledgements. You acknowledge:

(i) YOU HAVE CONDUCTED AN INDEPENDENT INVESTIGATION OF THE FRANCHISE RESTAURANT CONTEMPLATED BY THIS AGREEMENT AND UNDERSTAND THAT THE BUSINESS CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS MAKING THE SUCCESS OF THE VENTURE LARGELY DEPENDENT UPON YOUR BUSINESS ABILITIES AND PARTICIPATION AND YOUR EFFORTS AS AN INDEPENDENT BUSINESS OPERATOR. YOU ALSO RECOGNIZE AND ACKNOWLEDGE THAT YOU MAY INCUR EXPENSES OR OBLIGATIONS WHICH THIS AGREEMENT MAY NOT ADDRESS.

(ii) YOU HAVE NO KNOWLEDGE OF ANY REPRESENTATIONS BY US OR OUR OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR SERVANTS, ABOUT THE BUSINESS CONTEMPLATED BY THIS AGREEMENT THAT ARE CONTRARY TO THE TERMS OF THIS AGREEMENT OR THE DOCUMENTS INCORPORATED IN THIS AGREEMENT. YOU HAVE NOT RECEIVED ANY REPRESENTATION, WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF YOUR BUSINESS OR THE EXPLOITATION OF YOUR FRANCHISE RIGHTS UNDER THIS AGREEMENT. IN FACT, YOU ACKNOWLEDGE THAT YOU HAVE ENTERED INTO THIS AGREEMENT AFTER MAKING AN INDEPENDENT INVESTIGATION OF THE FRANCHISE SYSTEM AND OF US. YOU REPRESENT, AS AN INDUCEMENT TO OUR ENTRY INTO THIS AGREEMENT, THAT YOU HAVE MADE NO MISREPRESENTATIONS IN OBTAINING THIS AGREEMENT.

(iii) WE OR OUR AGENT HAS PROVIDED YOU WITH A FRANCHISE DISCLOSURE DOCUMENT NOT LATER THAN FOURTEEN (14) CALENDAR DAYS BEFORE THE EXECUTION OF THIS AGREEMENT, OR FOURTEEN (14) CALENDAR DAYS BEFORE ANY PAYMENT OF ANY CONSIDERATION, OR EARLIER IN THE SALES PROCESS IF YOU REQUESTED IT, OR SOONER IF REQUIRED UNDER STATE LAW (AT LEAST 10 BUSINESS

DAYS IN MICHIGAN, AND AT LEAST THE EARLIER OF 10 BUSINESS DAYS (14 CALENDAR DAYS IN IOWA) OR THE FIRST PERSONAL MEETING IN IOWA AND NEW YORK). YOU FURTHER ACKNOWLEDGE THAT YOU HAVE READ OUR FRANCHISE DISCLOSURE DOCUMENT AND UNDERSTAND ITS CONTENTS.

(iv) YOU HAVE HAD AN OPPORTUNITY TO REVIEW THIS AGREEMENT, AS WELL AS THE FRANCHISE DISCLOSURE DOCUMENT, THAT YOU HAVE HAD AMPLE OPPORTUNITY TO CONSULT WITH AN ATTORNEY OR OTHER PROFESSIONAL ADVISOR AND THAT OUR ATTORNEYS HAVE NOT ADVISED OR REPRESENTED YOU WITH RESPECT TO THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT. YOU ACKNOWLEDGE THAT YOU RECEIVED A COMPLETELY FILLED IN FRANCHISE AGREEMENT WHICH DID NOT DIFFER MATERIALLY FROM THE FORM OF FRANCHISE AGREEMENT ATTACHED TO OUR FRANCHISE DISCLOSURE DOCUMENT, OR IF IT DID DIFFER MATERIALLY, (i) YOU RECEIVED A COMPLETELY FILLED IN FRANCHISE AGREEMENT AT LEAST SEVEN (7) CALENDAR DAYS PRIOR TO YOUR SIGNING THIS AGREEMENT, OR (ii) THE DIFFERENCES WERE A RESULT OF NEGOTIATED CHANGES YOU REQUESTED AND YOU HAD AN OPPORTUNITY TO REVIEW THE CHANGES BEFORE SIGNING THIS AGREEMENT.

(v) YOU, TOGETHER WITH YOUR ADVISERS, HAVE SUFFICIENT KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS TO MAKE AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE FRANCHISE RIGHTS.

(vi) YOU ARE AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE FRANCHISEES OF OURS MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENT(S), AND CONSEQUENTLY THAT OUR OBLIGATIONS AND RIGHTS WITH RESPECT TO OUR VARIOUS FRANCHISEES MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES.

(vii) THIS AGREEMENT WILL NOT BE EFFECTIVE UNTIL ACCEPTED BY US AS EVIDENCED BY THE DATING AND SIGNING OF THIS AGREEMENT BY AN AUTHORIZED OFFICER OF OURS.

[SIGNATURES FOLLOW ON THE NEXT PAGE]

IN WITNESS WHEREOF, the parties intending to be bound legally, have fully signed, sealed and delivered this **Franchise Agreement** as of the day and year first above written.

FRANCHISOR:

CHAPS PIT BEEF FRANCHISING LLC

A Maryland Limited Liability Company

By: _____

Name: _____

Its: _____

FRANCHISEE:

Signature: _____ (Seal)

Printed Name: _____

Email: _____

Date: _____

Signature: _____ (Seal)

Printed Name: _____

Email: _____

Date: _____

EXHIBIT 1
TO THE CHAPS PIT BEEF FRANCHISING LLC FRANCHISE AGREEMENT

Location and Designated Mark Addendum

A. The Franchised Restaurant will operate under the primary mark **CHAPS PIT BEEF®** unless the space provided below is checked to designate the primary mark will be **FAMOUS CHAPS PIT BEEF 1987™** pursuant to Section 1.1(i):

() **FAMOUS CHAPS PIT BEEF 1987™** (Initials: _____)

B. The Designated Area pursuant to Section 1.1(i) is described as follows: _____

Franchisee acknowledges that Franchisor's approval of the Location is not a guarantee, recommendation or endorsement of the Location, and that the success of the Franchised Restaurant to be operated at the Location is dependent upon Franchisee's abilities as an independent business person. If this **Exhibit 1** is not completed at execution of the Franchise Agreement, then no Location has yet been obtained and this **Exhibit 1** will be completed at a later date or if not completed, the Franchisor's written approval of the actual Location shall be deemed to replace Section A of this Addendum.

C. The Protected Area pursuant to Section 1.1(vi) is described as follows: _____

D. The Location of the Franchised Restaurant pursuant to Section 2.2 is: _____

_____.

FRANCHISOR:

CHAPS PIT BEEF FRANCHISING LLC

A Maryland Limited Liability Company

By: _____

Name: _____

Title: _____

FRANCHISEE:

Signature: _____ (Seal)

Printed Name: _____

Date: _____

Signature: _____ (Seal)

Printed Name: _____

Date: _____

EXHIBIT 2
TO CHAPS PIT BEEF FRANCHISING LLC FRANCHISE AGREEMENT
BANK DRAFT AUTHORIZATION (EFT)

Franchisee Information:

Franchisee Name	Restaurant #
-----------------	--------------

Franchisee Mailing Address (street)	Franchisee Phone No.
-------------------------------------	----------------------

Franchisee Mailing Address (city, state, zip)

Contact Name, Address and Phone number (if different than above)
--

Bank Account Information:

Bank Name	Bank Account No.
-----------	------------------

Bank Mailing Address (street)	Bank Routing No.	[:	[:
		(9 characters)	

Bank Mailing Address (city, state, zip)	Bank Phone No.
---	----------------

Payee Information:

Chaps Pit Beef Franchising LLC

Authorization:

The **Franchisee** hereby authorizes the Bank to honor and charge the Bank Account for electronic funds transfers or drafts drawn on the Bank Account and payable to the Payee. The amount of such charge shall be set forth in a notice from the Payee presented to the Bank on Tuesday of each week. The Franchisee agrees to execute such additional documents as may be reasonably requested by the Payee or the Bank to evidence the interest of this EFT Authorization. This authority shall remain in full force and effect until the Payee has received written notification from the Franchisee in such time and manner as to afford the Payee and the Bank to act on such notice. The Franchisee understands that the termination of this authorization does not relieve the Franchisee of its obligations to make payments to the Payee.

FRANCHISEE

By: _____ **Date:** _____
Title

INDEMNIFICATION OF BANK

In consideration of the Bank's compliance with the foregoing request and authorization, the Payee agrees with respect to any action by the Bank in compliance with the foregoing request and authorization to indemnify the Bank and hold the Bank harmless for, from and against any loss the Bank may suffer as a consequence of the Bank's actions from or in connection with the execution and issuance of any electronic fund transfer or draft, whether or not genuine, purporting to be executed by the Payee and received by the Bank in the regular course of business for the purpose of payment, except to the extent such loss caused by the negligence or willful misconduct of the Bank.

NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.

SCHEDULE 1
TO CHAPS PIT BEEF FRANCHISE AGREEMENT
FRANCHISEE IDENTIFICATION AND OWNERSHIP

As of _____, 20____, the following information is true, accurate and correct:

Name(s) of Franchisee: _____

Form of Franchisee (circle one):

(i) corporation; (ii) partnership; (iii) limited liability company; (iv) individual(s); or

(v) other (describe) _____

Names and addresses of individuals, shareholders, partners, members, or other ownership holders of Franchisee:

Names and Addresses	Percentage of Ownership Held
_____ _____ _____ _____	_____%
_____ _____ _____ _____	_____%
_____ _____ _____ _____	_____%
_____ _____ _____ _____	_____%

EXHIBIT C

CHAPS PIT BEEF FRANCHISING LLC

MULTI-UNIT DEVELOPMENT AGREEMENT



CHAPS PIT BEEF FRANCHISING LLC

MULTI-UNIT DEVELOPMENT AGREEMENT

WITH

MULTI-UNIT DEVELOPER NAME(S)

CHAPS PIT BEEF FRANCHISING LLC
MULTI-UNIT DEVELOPMENT AGREEMENT

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EXHIBIT 1 - DEVELOPMENT AREA AND DEVELOPMENT SCHEDULE

SCHEDULE 1 - DEVELOPER IDENTIFICATION AND OWNERSHIP

MULTI-UNIT DEVELOPMENT AGREEMENT

This MULTI-UNIT DEVELOPMENT AGREEMENT (this "Agreement") is made and entered into this _____ day of _____, 20____ (the "Effective Date"), by and between **CHAPS PIT BEEF FRANCHISING LLC**, a Maryland limited liability company ("we" or "us"), with a principal place of business at 8 Patrick Way Kingsville, MD 21807, and _____, the individual(s) signing below as franchisee(s) with address(es) at _____ (referred to as "you" or "Developer").

BACKGROUND

A. We have licensed from our affiliate Chaps Pit Beef, Inc., a Maryland corporation ("Licensor"), the rights to use and to sublicense certain intellectual property Licensor owns, which together with the Marks (as defined below) that we own, constitute the "System" for the establishment, development and operation of a restaurant facility offering fast, casual fare featuring charcoal pit cooked meats, BBQ and fish, in a variety of sandwiches and platters and other related products ("Restaurants" or a "Restaurant"). The System includes the confidential and proprietary Brand Standards Manual (the "Manual"), confidential recipes for food products and distinctive service accessories, other proprietary information, proprietary marks, brand, trade dress, design, décor, image, lay-out, know-how, trade secrets, mandatory and suggested specifications, methods, curriculum, proprietary software, operating procedures, standards, equipment, market analysis, marketing strategies, sales and merchandising methods, quality assurance standards, training of franchisees, record keeping and business management processes relating to the establishment, development and operation of Restaurants, all of which may be changed, improved and further developed by Licensor, us and our affiliates from time to time.

B. We grant franchises to qualified individuals to develop and operate Restaurants using the System, including the service mark **CHAPS PIT BEEF®** or the service mark **FAMOUS CHAPS PIT BEEF 1987™** and other identifying marks and symbols that we use now or may later use as part of the System (the "Marks"). We and our affiliates intend to further develop and use the Marks to identify our services and our standards of quality and service to the public so that the public will recognize the System as the source of services and products having high standards of quality, appearance and service. In this Agreement, a Restaurant refers to a restaurant operating under either the mark **CHAPS PIT BEEF®** or **FAMOUS CHAPS PIT BEEF 1987™**, both of which will operate under the System.

C. We grant development rights to qualified individuals. You wish to obtain the rights to develop and operate Restaurants using the System in a defined development area specified in **Exhibit 1** of this Agreement (the "Development Area"). We have approved your application as a developer and franchisee in reliance on all of the representations you made in your application.

D. The individual developer(s) are listed **Schedule 1** Developer Identification and Ownership.

E. **WE AND YOU HAVE AGREED TO WAIVE PUNITIVE OR EXEMPLARY DAMAGES AS PROVIDED IN SECTION XV.D.10. WE AND YOU HAVE ALSO AGREED TO WAIVE ANY RIGHT TO TRIAL BY JURY, AS PROVIDED IN SECTION XV.D.8.**

AGREEMENT

The parties, in consideration of the undertakings and commitments of each party to the other party set forth in this Agreement, hereby mutually agree as follows:

I. DEFINITIONS AND INCORPORATION

A. **Development Area.** “Development Area” means the geographic area described in **Exhibit 1** attached to this Agreement. The Development Area is the result of negotiation between you and us based on surveys, population density and other factors.

B. **Franchise Agreement.** “Franchise Agreement” means the then current form of agreement (including all exhibits, riders and instruments, used in connection with such agreement) used by us to grant franchises to own and operate Restaurants in the state or states where the Development Area is located. A copy of the then current form of Franchise Agreement, and a copy of the then current form of this Multi-Unit Development Agreement, were attached to our franchise disclosure document for our restaurant franchise offering which you received in connection with this Agreement.

C. **Development Schedule.** “Development Schedule” means the number of Restaurants to be opened and operated by Developer and the time frame for doing so, as set forth in **Exhibit 1** to this Agreement.

D. **Incorporation.** The parties incorporate into this Agreement the paragraphs set forth above under the BACKGROUND Section as if set forth in full. The BACKGROUND Section at the beginning of this Agreement contains contractual terms that are not mere recitals.

II. GRANT AND ACCEPTANCE

A. Provided you fully comply with this Agreement, including, without limitation, the Development Schedule, and with each Franchise Agreement between you and us, we grant you the non-exclusive right, and you undertake the obligation, to develop and operate Restaurants only in the Development Area (“Franchised Restaurants”), under the terms and conditions of this Agreement. The Franchised Restaurants shall be located only at sites we have approved in writing.

B. The Franchised Restaurants must be developed and opened in accordance with the Development Schedule. Time is of the essence for development of each Restaurant in accordance with the Development Schedule. Each Franchised Restaurant to be developed under this Agreement shall be evidenced by a separate Franchise Agreement in the then-current form at the time each Franchise Agreement is executed.

C. If, in any Development Period stated in the Development Schedule, you fail to meet the development obligations set forth in the Development Schedule, we shall have the right to terminate this Agreement and any Franchise Agreement then in default. We, by written notice, may, but shall not be obligated to, reduce your development obligations for any period, but such reduction shall not constitute a waiver of your development obligations for any subsequent period(s).

D. This Agreement is not a Franchise Agreement. You agree that this Agreement does not grant you the right to use any of the Marks or the System and that such right can only be granted under a Franchise Agreement. You acknowledge that you have no right to sub-franchise or license others to use the Marks or the System.

E. Provided you are in compliance with this Agreement, we and/or our affiliates will not during the term of this Agreement, except as reserved to us below in this Section II.E. and in Section II.F. and Section II.G., own or operate or franchise or license any other franchisee or licensee to own or operate a Restaurant operating under the marks **CHAPS PIT BEEF®** or **FAMOUS CHAPS PIT BEEF 1987™** or other Marks associated with the System, within the Development Area. You acknowledge that we, our affiliates, other franchisees and licensees are entitled to conduct marketing activities (especially advertising on the Internet and through social media, in newspapers, magazines, radio and television) directly or through others, and that such activities may be received by persons within the Development Area even though they are aimed principally outside the Development Area. In this Agreement, an “affiliate” means, with regard to a business entity, an entity that is controlled by that business entity or is under common control with that business entity.

F. Except as otherwise specifically set forth above in Section II.E. above, this Agreement does not grant you any territorial rights and there are no radius restrictions or minimum or maximum population requirements which limit where we can license or open another restaurant operating under the marks **CHAPS PIT BEEF®** or **FAMOUS CHAPS PIT BEEF 1987™** or other Marks associated with the System, unless provided under applicable state law, or unless provided in any Franchise Agreement you enter into with us. We and/or our affiliates retain all other rights. You understand and acknowledge that subject to the exceptions above in this Section II.F., our and/or our affiliates’ retained rights include, without limitation, the right, on terms and conditions that we deem appropriate, to: (i) own and operate and/or grant to others the right to own and operate Restaurants at locations outside the Development Area; (ii) own, operate, franchise or license, within and outside the Development Area, any business concept that is not a Restaurant that uses the Mark and the System, including restaurants operating under names other than the Marks associated with the System; and (iii) produce, distribute, and sell, and license others to produce, distribute and sell, food products, beverages, and other products, under the marks **CHAPS PIT BEEF®** or **FAMOUS CHAPS PIT BEEF 1987™** or any other mark, directly and indirectly, through employees, representatives, franchisees, licensees, assigns, agents, and others, at wholesale, retail, and otherwise, at any location or via the Internet, “e-commerce” and any similar outlets or distribution methods we determine (collectively, “Alternate Channels of Distribution”), without restriction by any right you may have, and without regard to the location of any Restaurant, and these other stores or methods of distribution may compete with the Franchised Restaurants and may adversely affect your sales. Alternative Channels of Distribution include “Non-Traditional Restaurants.” A “Non-Traditional Restaurant” means a location that offers products, beverages, and other products, under the **CHAPS PIT BEEF®** Mark, the **FAMOUS CHAPS PIT BEEF 1987™** Mark or any other Mark, that is not a traditional location, and includes separate areas or concession departments within airports, bus and railroad terminals, sports arenas and stadiums, highway rest stops, gasoline service stations, supermarkets, convenience stores, department stores, hospitals, parks, universities, schools, convention centers, casinos, military bases, office buildings, business complexes, apartment buildings, condominiums, dormitories, other high density locations and other similar non-restaurant locations, and co-branded locations. Subject to the above exceptions in this Section II.F., you do not have any right to exclude, control, or impose conditions on the location or development of any restaurant operating under the marks **CHAPS PIT BEEF®** or **FAMOUS CHAPS PIT BEEF 1987™** or other Marks associated with the System, other restaurant, store or other method of distribution, under the marks **CHAPS PIT BEEF®** or **FAMOUS CHAPS PIT BEEF 1987™** or any other mark. You have no right to share, nor do you expect to share, in any of the proceeds we or our franchisees or licensees or any other party receives in connection with any **CHAPS PIT BEEF®** Restaurant, **FAMOUS CHAPS PIT BEEF 1987™** Restaurant, other restaurant, or Alternative Channel of Distribution.

G. For clarity, and without limitation, we and/or our affiliates reserve the right, without limitation to: (i) own and operate and/or grant to others the right to own and operate Restaurants at locations outside the Development Area on terms and conditions that we deem appropriate; (ii) sell

proprietary products to franchisees and licensees, to wholesale and retail businesses and through Alternate Channels of Distribution (other than traditional Restaurants) inside or outside the Development Area; (iii) to own, acquire, establish and/or operate, and license others to establish and operate, businesses under other proprietary marks and other systems, whether such businesses are the same, similar, or different from those operating under the System, at any location within or outside the Development Area.

H. You understand and agree that the System must not remain static if it is to meet (without limitation) presently unforeseen changes in technology, competitive circumstances, demographics, population, consumer trends, social trends and other market place variables, and if it is to best serve the our interests, your interests and the interests of all other franchisees and licensees of ours. Accordingly, you expressly understand and agree that we may from time to time change the components of the System, including, without limitation, altering the products, programs, services, methods, standards, forms, policies and procedures of the System; abandoning the System altogether in favor of another system in connection with a merger, acquisition or other business combination or for other reasons; adding to, deleting from or modifying those products, programs and services which your Franchised Restaurant is authorized and required to offer; modifying or substituting entirely the building, premises, equipment, signage, trade dress, décor, color schemes and uniform specifications and all other unit construction, design, appearance and operation attributes which you are required to observe hereunder; and, changing, improving, modifying or substituting the Marks. You expressly agree to comply with any such modifications, changes, additions, deletions, substitutions and alterations. You shall accept, use and effectuate any such changes or modifications to, or substitution of, the System as if they were part of the System at the time that this Agreement was executed. Except as provided in this Agreement or in any Franchise Agreement you enter into with us, we shall not be liable to you for any expenses, losses or damages sustained by you as a result of any of the modifications contemplated by this Agreement.

III. TERM

A. The term of this Agreement will run from the Effective Date of this Agreement through the end date of the final Development Period stated in the Development Schedule, unless sooner terminated in accordance with the provisions of this Agreement (the “Term”).

B. You are not granted any right to renew this Agreement or to enter into a successor agreement.

IV. DEVELOPMENT FEE

A. In consideration of the development rights granted in this Agreement, you agree to pay us, upon execution of this Agreement, a non-refundable fee (the “Development Fee”), in an amount equal to the initial franchise fee for the first Franchised Restaurant (Thirty Thousand Dollars (\$30,000), plus Ten Thousand Dollars (\$10,000), multiplied by the number of additional Restaurants that you must open, after the first. The total Development Fee is stated in **Exhibit 1**. The Development Fee shall be fully earned by us upon execution of this Agreement and shall be non-refundable under any circumstances.

B. The initial franchise fee for each Franchise Agreement executed by you and us for each Franchised Restaurant to be developed under this Agreement shall be as follows: Thirty Thousand Dollars (\$30,000) for the first Franchised Restaurant and Twenty Thousand Dollars (\$20,000) for the second and each additional Franchised Restaurant. Except as otherwise provided in this Agreement, we shall credit the amount of the Development Fee actually paid for a particular Franchised Restaurant against the initial franchise fee payable under the Franchise Agreement for the particular Franchised Restaurant, which credit shall be applied upon your execution of the Franchise Agreement for the

particular Franchised Restaurant, at which time you shall also pay any balance of the initial franchise fee due under such Franchise Agreement.

C. You will promptly pay when due all taxes levied or assessed by any tax authority. Failure to do so will be a default of this Agreement. You will be responsible for any sales tax, gross receipts tax, excise tax or other similar tax (collectively “*Sales Tax*”), imposed by law on all payments you make to us or our affiliates under this Agreement or otherwise, in connection with each Franchised Restaurant, whether assessed on you or on us or our affiliate. We and our affiliates may collect Sales Tax from you for transmittal to the taxing authority. You will reimburse us and our affiliates for any Sales Tax we or our affiliate must pay directly to any taxing authority.

V. DEVELOPMENT PROCEDURES

A. By the dates set forth in the Development Schedule you must open the number of Franchised Restaurants strictly as required by the Development Schedule. You must also comply with the Development Schedule requirements regarding the cumulative number of Franchised Restaurants that must be open and continuously operating.

B. You may not develop a Franchised Restaurant unless you have notified us in writing of your intention to do so and all of the following conditions have been met:

1. You must locate a site suitable for the operation of a Franchised Restaurant within the Development Area for the particular Franchised Restaurant to be developed pursuant to this Agreement.

2. You will submit to us in the form we specify a description of the location and any other information or materials as we may reasonably require. We will provide you with certain of our criteria for site selection. You will reimburse the actual costs we incur in connection with any site visit we make at your request or we believe is necessary to evaluate a proposed site, including travel, lodging, meals and incidental costs for each employee, representative or agent performing the on-site evaluation. We will not unreasonably withhold approval of a site that meets our standards, including for demographic characteristics (e.g., population density and household economics), location and neighborhood, proximity to other businesses, visibility, ease of access, available parking, architectural style, size, layout, general condition and lease terms. Our approval of a site is only intended to indicate our confirmation that the proposed site meets our minimum criteria for conforming to our business model and standard and does not constitute a judgment as to the likelihood of success of the Franchised Restaurant at such location or a judgment as to the relative desirability of such location in comparison to other locations within or outside of the Development Area. You acknowledge that the success of the business venture contemplated in this Agreement involves substantial risks and depends upon your ability as an independent business person, your full-time participation in the daily affairs of the business venture and your implementation of the System. Our approval is not a comment on the viability of the Franchised Restaurant at that location or the outcomes to be expected. We make no representations, assurances or warranties as to the potential success of the venture.

3. Promptly after approval of any site, we will transmit to you, a franchise disclosure document (the “FDD”) and two execution copies of the then current Franchise Agreement pertaining to the approved site, the terms of which may differ from the previous Franchise Agreement executed by you. Immediately upon receipt of the FDD, you will return to us a signed copy of the Receipt for the FDD. After the passage of any applicable disclosure period, you will execute and deliver to us, the two copies of the Franchise Agreement and the initial franchise fee required pursuant to the Franchise Agreement, after application of the amount of the Development Fee, if any, to be credited to the initial franchise fee for the particular location. We will, upon receipt of the documents and initial

franchise fee, execute and return to you one copy of the Franchise Agreement. You will then procure the site by purchase or lease and commence construction and operation of the Franchised Restaurant pursuant to the terms of the Franchise Agreement. Notwithstanding the above, if we are not legally able to deliver an FDD to you by reason of any lapse or expiration of its franchise registration, or because we are in the process of amending any such registration, or for any reason beyond our reasonable control, we may delay approval of the site for your proposed Franchised Restaurant until such time as we are legally able to deliver an FDD. If you fail to execute and return the Franchise Agreement with the applicable payment, we will have the right to revoke our offer to grant a franchise to you to operate a Franchised Restaurant at the proposed site and to withdraw our approval of the proposed site.

4. You will comply with the requirements in the Franchise Agreement regarding the development and operation of the Franchised Restaurant, including with respect to the lease or other occupancy agreement or purchase agreement and training. It will be a condition precedent to our obligations under this Agreement and the Franchise Agreements, that you will have performed all of your obligations under and pursuant to this Agreement and the Franchise Agreement and all other agreements between you and us.

VI. FORCE MAJEURE

If performance of any party other than the payment of money, including your performance with the Development Schedule, is delayed, interrupted, or prevented by an act of God, fire, flood, pandemic, riot, war, terrorist act, strike, inability to obtain equipment due to government action or order, failure of carriers to transport equipment, or other government action or law, then the time for performance by a party will be extended for an amount of time equal to the delay caused by the event. A party must notify the other party in writing promptly following the event the party intends to rely on as giving rise to an excused delay.

VII. CONFIDENTIAL BRAND STANDARDS MANUAL

A. To protect the reputation, integrity and goodwill of the System and to maintain uniform standards of operation, you agree to develop and operate the Franchised Restaurants strictly in accordance with the provisions in our confidential and proprietary Brand Standards Manual (the “Manual”). Any failure by you to comply with the Manual shall be a breach of this Agreement. You agree to restrict access to the Manual to employees of yours and of the Franchised Restaurants and then only to the extent necessary for the operation of the Franchised Restaurants. Upon expiration or termination of this Agreement, you will return the Manual, together with all copies, to us, except for any copies used by you as Franchisee in connection with the operation of the Franchised Restaurants pursuant to a valid Franchise Agreement with us.

B. The Manual, trade secrets and any copyrighted material, methods and other techniques and know-how related to the Franchised Restaurant is Licensor’s and/or our exclusive property and are revealed to you in confidence solely to assist you in operating the Franchised Restaurant. You will at all times treat the Manual, any other materials or guidelines created for or approved for use in the operation of the Franchised Restaurant, and the information contained in those manuals, materials and guidelines, as confidential, and will use all reasonable efforts to maintain the information as secret and confidential. You will not at any time, without our written consent, copy, duplicate, record or otherwise reproduce the foregoing materials, in whole or in part, or otherwise make the same available to any unauthorized person.

C. You will not, during the term of this Agreement or thereafter, except as permitted in this Section, communicate, divulge, or use for the benefit of any other person, persons, partnership,

association or business entity, any material in which Licensor or we claim copyright protection, any trade secrets or confidential information, knowledge, or know-how concerning the methods of operation of a Franchised Restaurant, which may be communicated or disclosed to you, or of which you may be apprised, by virtue of your operation under the terms of this Agreement. You will divulge trade secrets and confidential information only to those employees and contractors as must have access to it in order to develop or operate the Franchised Restaurant and you will advise them of the duty to maintain the information as confidential before communicating or divulging any trade secrets and confidential information to them. In addition, subject to applicable law, you will obtain a written agreement, in form and substance satisfactory to us, from your employees we designate, contractors, and any other person having access to the Manual or to whom you wish to disclose any trade secrets or confidential information that they will maintain the confidentiality of the trade secrets and confidential information and they will recognize Licensor and us as third-party beneficiaries with the independent right to enforce the covenants either directly in Licensor's or our own name as beneficiary or acting as agent. You hereby irrevocably appoint Licensor and/or us as your agent with respect to the enforcement of these covenants. An example of a separate written agreement currently considered satisfactory, including provisions to confirm Licensor's and/or our ownership of Ideas (as defined in Section VII.E), and also including noncompetition covenants (not required under this Section VII.C) is the Confidentiality and Noncompetition Agreement attached as an exhibit to our franchise disclosure document. You will retain all written Confidentiality (and Noncompetition) Agreements with your business records for the time period specified in the Manual. You will enforce all covenants and will give us notice of any breach or suspected breach of which you have knowledge. These obligations will survive the termination of this Agreement and will not be released under any section or provision of this Agreement.

D. You will promptly notify us of any unauthorized use or misappropriation of the Manual or any material in which Licensor and/or we claim copyright protection, any trade secrets or confidential information, knowledge, or know-how. You will also cooperate in the prosecution or defense of any action related to the confidential information, the Manual or any material in which Licensor and/or we claim copyright protection, any trade secrets or confidential information, knowledge, or know-how, and will render any assistance Licensor and/or we think is reasonably required to assist in this prosecution or defense. If you are compelled by a court or other body of competent jurisdiction to disclose any of the confidential information, the Manual or any material in which Licensor and/or we claim copyright protection, any trade secrets or confidential information, knowledge, you will inform us by written notice and will provide reasonable assistance in obtaining and enforcing a protective order or other appropriate means of safeguarding the information required to be disclosed. You may then disclose only so much of these materials or information as is legally required to be disclosed. You further agree to notify us promptly of any litigation instituted by any person or legal entity against you involving these materials or information. If Licensor and/or we, in Licensor's and/or our sole and exclusive business judgment, undertake the defense or prosecution of any litigation relating to your use of these materials or information, you agree to sign any and all documents, and to render any assistance as may, in the opinion of the lawyers for Licensor and/or us, be reasonably necessary to carry out the defense or prosecution.

E. You will disclose promptly to us any idea, concept, technique or material concerning the System or the operation of the Franchised Restaurant, including any advertising materials, that you or any of your employees create in the operation of the Franchised Restaurant or using the assets of the Franchised Restaurant, including any aspects of the System or any confidential information ("Ideas"). Licensor and/or we will own all rights in all Ideas. Any copyrightable Ideas prepared by you are "works for hire" under the Copyright Act and Licensor and/or we will be considered the author and owner of these copyrightable works. If Ideas do not qualify as works made for hire, by signing this Agreement you assign to Licensor and us ownership of any and all rights in Ideas. We and Licensor may use Ideas and any other information provided by you in any manner deemed appropriate without compensation to you. You will, upon request, promptly execute all applications, assignments, or other instruments that Licensor

and/or we deem necessary to apply for and obtain invention rights, patents, patent applications, letters patent, copyrights, trademarks, and reissues of any of these rights in the United States and foreign countries on Ideas and to confirm the assignment to us in this Section VII.E of the sole and exclusive rights, title, and interest in and to your right in and to Ideas. In addition, subject to applicable law, you will obtain a written agreement, in form and substance satisfactory to us, if you are a business entity, from your principal equity owners who we designate (“*Operating Partner(s)*”), and any other employees we designate, that they will agree that Ideas will belong to Licensor and/or us, either because they constitute “works for hire” or because they assign to Licensor and/or us ownership of Ideas. We and Licensor will have no obligation to adopt Ideas, and you may not utilize Ideas without our prior written consent.

F. The Manual is a compilation of manuals, books, binders, videos or other electronic media, Intranet postings and other materials containing operating data, specifications, standards, operating procedures, checklists, equipment, services and other information covering the proper operating and marketing techniques for the establishment and operation of a Franchised Restaurant to protect the Marks, copyrights or trade names, or improve the quality of the product or service provided by the Restaurants. The specifications, standards and operating procedures do not include any personnel policies or procedures that we may, at our option, make available to you in the Manual or other written communication. You may, in your sole judgment, determine to what extent, if any, any such personnel policies or procedures might apply to the Franchised Restaurants. When we say we will provide “written” communication or a notice or information (including the Manual) to you “in writing” we may or may not provide you with a paper (“hard copy”) form of the information. We may choose to provide the communication or notice only through electronic communication or posting to our website(s). The Manual will contain mandatory and suggested operating, accounting and reporting procedures, as well as quality standards for services, procedures, and recipes prescribed from time to time by us for Restaurant operations, and you agree to comply with the mandatory items. All information in the Manual is confidential and proprietary and constitutes trade secrets. Information contained within the Manual shall not be disclosed to third parties without our prior written approval. You will adhere to quality control standards in the Manual or elsewhere with respect to the character or quality of the products you sell or the services you perform in association with the Marks. You will not conduct any business or sell any products at the Franchised Restaurant that we have not approved.

G. We have the right to add to and otherwise modify the Manual from time to time to reflect changes in authorized recipes, products and services, in standards of services, and in procedures and specifications. These modifications may or may not be a part of the Manual, but in all events shall be communicated to you in writing. Such additions or modifications shall constitute provisions of this Agreement as if fully set forth in this Agreement and you shall take all actions, at your expense, to implement these modifications. You shall keep your copy of the Manual current. In the event of a dispute relative to the contents of the Manual, the master copy maintained by us at our principal office shall be controlling. If you request a replacement copy of physical portions of the Manual or replacement access to electronic portions of the Manual, you will pay us our then current replacement fee or electronic access fee.

VIII. USE OF THE MARKS

A. As stated in Section II, you agree that this Agreement does not grant you the right to use any of the Marks or the System and that such right can only be granted under a Franchise Agreement. You acknowledge that all right, title and interest to the System and the Marks are and will remain vested solely in us and/or Licensor, as applicable, and you disclaim any right or interest in the Marks or the goodwill associated with, or derived from, the Marks.

B. You agree not to do anything which could adversely affect the Marks, and to immediately notify us of any infringement or imitations and any challenges to our rights in the Marks. We have sole discretion as to what action, if any (including taking no action), should be taken. You agree to cooperate with us in preventing the infringement, imitation or misuse of the Marks and agree to be named as a party in any legal action if requested by us. The legal expenses incident to your participation in a proceeding at our request will be paid by us.

IX. DEFAULT AND TERMINATION

A. We may terminate this Agreement under the following conditions with notice but without opportunity to cure (unless otherwise stated below):

1. You abandon the development relationship without our prior written consent at any time during the Term of this Agreement.

2. You fail to develop and operate the minimum number of Franchised Restaurants as required under the Development Schedule set forth in **Exhibit 1**. This clause will not be in effect if you have Franchised Restaurant(s) that would cure the development default under development with an expected opening date within ninety (90) days of the date required in the Development Schedule.

3. You, or if you are a business entity, your shareholder, member or partner, file a petition in bankruptcy, or any similar petition seeking relief from debts under a similar state or federal code, or if a third party files an involuntary petition of bankruptcy against you, your shareholder, member or partner, and the action is not dismissed within sixty (60) days of filing.

4. You, or if you are a business entity, your shareholder, member or partner, admit in writing an inability to pay debts as they come due, or make an assignment for the benefit of creditors, or for the appointment of a receiver (permanent or temporary) for any part of your or their property.

5. A final judgment remains unsatisfied for a period of thirty (30) days, or a levy of execution is granted against the development rights granted by this Agreement or any Franchised Restaurant developed pursuant to this Agreement, or if the judgment is not discharged within five (5) days of a levy. If you have begun to take the corrective action within the respective period, then you will have a reasonable period of time to complete such corrective action.

6. You, or if you are a business entity, your shareholder, member or partner, are convicted of or plead no contest to a felony, a crime involving moral turpitude or any other crime or offense that is likely to adversely affect the reputation of the System and the goodwill associated with the Marks; nothing contained in this Agreement shall limit any other rights pertaining to termination.

7. You, or any affiliate or related person or entity, uses or duplicates the System, or engages in any manner of unfair competition in violation of Section VII, or discloses any trade secrets or Confidential Information in violation of this Agreement or under and pursuant to any agreement between you and us.

8. Your Franchise Agreement for any Franchised Restaurant is terminated because of your default under the Franchise Agreement.

9. A sale, other assignment or transfer in violation of Section XI of this Agreement occurs.

10. The submission of materially false or misleading information to us by you, or if you are a business entity, your shareholder, member or the withholding of information which you or they are required to furnish.

11. A breach of this Agreement, though subsequently cured, more than three (3) times in a twenty-four (24) month period.

B. We may terminate this Agreement upon written notice if we provide written notice of default of any provision of this Agreement not mentioned in Section IX.A. above and the default remains uncured thirty (30) days after written notice to you.

C. You and the owners of your business entity (if applicable), will comply, and assist us, to the fullest extent possible, in our efforts to comply with Anti-Terrorism Laws (as defined below). You certify, represent, and warrant that none of your or your equity owners or your or their property or interests is subject to being blocked under, and that you and your equity owners otherwise are not in violation of, any of the Anti-Terrorism Laws of the United States. "Anti-Terrorism Laws" means Executive Order 13224, issued by the President of the United States, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) of 2001 (Public Law 107 56), and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority, addressing or in any way relating to terrorist acts and acts of war. You also certify, represent, and warrant that you and your equity owners: (i) have not been designated as a "Specially Designated National and Blocked Person" or other banned or blocked person, entity, nation, or transaction pursuant to the Executive Order, the USA PATRIOT Act or any other law, order, rule, or regulation; (ii) are currently in compliance with and will at all times during the term of this Agreement (including any renewal or extension) remain in compliance with Executive Order 13224, the USA PATRIOT Act and regulations of the Office of Foreign Assets Control of the United States Department of the Treasury and any statute, executive order and other governmental action relating thereto; and (iii) are not engaged in this transaction, directly or indirectly on behalf of, or instigating or facilitating this transaction, directly or indirectly on behalf of, any such person, group, entity or nation. Any violation of the Anti-Terrorism Laws by you or your equity owners, or any blocking of your or your equity owners' assets under the Anti-Terrorism Laws, will constitute good cause for immediate termination of this Franchise Agreement upon written notice without any opportunity for you to cure. You will immediately notify us of any misrepresentation or breach of this Section IX.C.

D. You may terminate this Agreement if you are in substantial compliance with this Agreement and we materially breach this Agreement and fail to cure such material breach within sixty (60) days after written notice of the material breach is delivered to us. In the event of termination of this Agreement by you, all of your post-termination obligations identified in Section X of this Agreement shall not be waived but shall be strictly adhered to by you.

E. If you will fail to meet the Development Schedule as set out in **Exhibit 1**, then in addition to our right to terminate this Agreement, as provided for in Section IX.A.2, above, we may, in our discretion: (a) reduce the size of the Development Area; (b) reduce the number of Franchised Restaurants to be developed; or (c) terminate your rights to the Development Area and allow others, including us or an affiliate, to develop Franchised Restaurants in the Development Area.

X. POST TERMINATION OBLIGATIONS OF DEVELOPER

A. Upon termination or expiration of this Agreement, you agree to return the Manual and all other manuals, handbooks, drawings, records, or other items relating to the development or operations of

Restaurants furnished to you.

B. Within ten (10) days after the effective date of termination or expiration of this Agreement, you shall pay us all amounts owed and then unpaid. We shall retain the Development Fee paid in accordance with Section IV of this Agreement.

C. Upon expiration or termination of this Agreement, you shall have no further right to develop or open Franchised Restaurants in the Development Area (except pursuant to an existing and valid Franchise Agreement with us). The limited exclusive rights granted to you under this Agreement shall terminate at such time and we and our affiliates shall have the right to operate or license others to operate Restaurants anywhere in the Development Area, except as otherwise provided in an effective Franchise Agreement.

D. Upon the termination or expiration of this Agreement, except as otherwise authorized pursuant to any Franchise Agreement between you and us, you, your owners and employees will immediately cease to use, and will maintain the absolute confidentiality of, any Confidential Information disclosed to or otherwise learned or acquired by you and return to us all copies of confidential materials which have been loaned by us to you pursuant to this Agreement.

E. All obligations of the parties under this Agreement which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force subsequent to the expiration or termination of this Agreement until they are fully satisfied or by their nature expire.

XI. ASSIGNMENT BY DEVELOPER OR FRANCHISOR

A. This Agreement is fully assignable by us and shall inure to the benefit of any assignee(s) or other legal successor(s) to our interest in this Agreement, provided that we shall, subsequent to any such assignment, remain liable for the performance of our obligations under this Agreement up to the effective date of the assignment.

You agree and affirm that we may sell ourselves, our assets, the Marks and/or the System to a third-party; may go public; may engage in private placement of some or all of our securities; may merge, acquire other business entities, or be acquired by other business entities; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. You further agree and affirm that we have the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as Restaurants operating under the Marks or any other marks following our purchase, merger, acquisition or affiliation, regardless of the location of these facilities, which you acknowledge may be proximate to the Franchised Restaurants. With regard to any of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of our name, Marks (or any variation thereof) and System and/or the loss of association with or identification of "Chaps Pit Beef" as us under this Agreement. If we assign our rights in this Agreement, nothing herein shall be deemed to require us to remain in the Restaurant business or to offer or sell any products or services to you.

B. You understand and acknowledge that the rights and duties created by this Agreement are personal to you or your owner(s) and that we have granted the development rights in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you or your owner(s). Therefore, except as provided below with respect to assignment to a business entity, neither the development rights nor this Agreement nor any of the Franchised Restaurant's assets, nor any

part or all of the ownership of you may be voluntarily, involuntarily, directly or indirectly assigned, sold, subdivided, sub-franchised or otherwise transferred by you or your owner(s) including, without limitation, by merger or consolidation, by issuance of additional securities representing an ownership interest in you, or, in the event of the death of you or an owner of you, by will, declaration of or transfer in trust or the laws of intestate succession, without our prior written approval, and any such assignment or transfer without such approval shall constitute a breach of this Agreement and convey no rights to or interests in the development rights or this Agreement.

C. We will enter into this Agreement initially only with qualified individuals. We will also enter into Franchise Agreements for the Franchised Restaurants only with qualified individuals, who must be the same individuals who sign this Agreement as the developer. Accordingly, the assignment terms and conditions in the Franchise Agreements you enter into pursuant to this Agreement, including upon death or permanent disability, and any voluntary and involuntary transfer, apply to any transfer of your development rights, this Agreement or any ownership interest in you.

D. You must transfer all of your rights and interests under all Franchise Agreements developed pursuant to this Agreement in the Development Area together with all of your rights and interest in this Agreement, or interests in you, subject to all of the same approvals, to the same transferee (or to qualified corporations and limited liability companies all under common ownership, except for minority ownership interests as provided for under the Franchise Agreement, including that the minority owners be parties to this Agreement and the Franchise Agreements or guarantee the obligations of a corporation or limited liability company transferee and agree to be bound jointly and severally by all applicable provisions of this Agreement and the Franchise Agreements pursuant to a continuing guaranty) until you have developed and opened for business all of the Franchised Restaurants required under the Development Schedule. Notwithstanding the above, until you have entered into at least one (1) Franchise Agreement for a Franchised Restaurant under this Agreement and thereafter opened sixty percent (60%) of the Franchised Restaurants required under the Development Schedule, you may not assign, transfer, sell, convey or give away this Agreement or any interest arising under this Agreement or interest in you, except to a newly-formed corporation or limited liability company formed solely for convenience of ownership in the same manner and subject to the applicable provisions of the Franchise Agreement, currently in Section 12.3. For the avoidance of doubt, we require that the development rights for the Development Area and the Franchised Restaurants in the Development Area be under common ownership until development of the minimum number of Franchised Restaurants under the Development Schedule has been completed. A separate and additional transfer fee of Two Thousand Five Hundred Dollars (\$2,500.00) shall be payable to compensate us for the expenses incurred by us with respect to this Agreement, in addition to the transfer fees due under each Franchise Agreement, and any sales commission described in the Franchise Agreement shall also apply to any portion of the gross sales price allocated to this Agreement or the development rights under this Agreement. Our right of first refusal shall include the option to purchase your interest arising under this Agreement and under the Franchise Agreements, as one unit.

E. **Schedule 1** lists all your owners and the ownership interest held by each owner. You agree to give us prompt notice of any change or additions to the list of owners on **Schedule 1**.

XII. RESTRICTIVE COVENANTS

A. You acknowledge that it would not be possible for us to protect the Confidential Information and/or our trade secrets against unauthorized use or disclosure if you hold an interest in a business similar to the business conducted by the Franchised Restaurants. You therefore agree that you, your officers, directors, owners and any employees who are a General Manager, Kitchen Manager and Pit Master will not, during the Term, have any direct or indirect interest as an owner, director, manager,

officer, employee, consultant, representative or agent, and will not lease real estate to or finance, or serve or act in any other capacity, in any other competitive service, business or activity in which twenty-five percent (25%) or more of the sales volume shall be derived from the sale of pit beef, BBQ, ribs, ham, turkey and/or any type of burgers or hot dogs or similar sandwich, including any kind of beef, turkey, BBQ, sausage or chicken. Full service restaurants where customers are served by wait staff and pay after eating are exempt. This covenant will also not prohibit your operation of any other franchise which we grant to you or your ownership of less than a five percent (5%) beneficial interest of the outstanding equity securities of any publicly held entity.

B. You also agree that during the Term, that you, your officers, directors, owners and any employees who are a General Manager, Kitchen Manager and Pit Master will not divert, or attempt to divert, directly or indirectly, any business, business opportunity, or customer of the Franchised Restaurant to any competitor or do or perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

C. Upon expiration, termination, or transfer of this Agreement for any reason, except as otherwise approved in writing by us, you, your officers, directors, owners and any employees who are a General Manager, Kitchen Manager and Pit Master, shall not have any direct or indirect interest as an owner, director, manager, officer, employee, consultant, representative or agent, and will not lease real estate to or finance, or serve or act in any other capacity, in any other competitive service, business or activity in which twenty-five percent (25%) or more of the sales volume shall be derived from the sale of pit beef, BBQ, ribs, ham, turkey and/or any type of burgers or hot dogs or similar sandwich, including any kind of beef, turkey, BBQ, sausage or chicken, for a continuous uninterrupted period commencing upon the expiration, termination, or transfer of this Agreement for any reason, or the date you, your officers, directors, owners and any manager, as applicable, cease the prohibited interest in the competitive service, business or activity, if later, and continuing for two (2) years thereafter, at the Location of any Franchised Restaurants, within the Development Area or within a five (5) mile radius of the Location of any Franchised Restaurants or within a five (5) mile radius of any Restaurant open or under construction on the date this Agreement expires or terminates or your interest in this Agreement is transferred. Full service restaurants where customers are served by wait staff and pay after eating are exempt. This covenant will also not prohibit your operation of any other franchise which we grant to you or your ownership of less than a five percent (5%) beneficial interest of the outstanding equity securities of any publicly held entity.

D. You, your officers, directors, owners and any employees who are a General Manager, Kitchen Manager and Pit Master, upon expiration, termination, or transfer of this Agreement for a continuous uninterrupted period of two (2) years, shall not divert, or attempt to divert, directly or indirectly, any business, business opportunity, or customer of the Franchised Restaurants to any competitor or do or perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

E. You further acknowledge and agree that the covenants in this Section XII are reasonable both in time and in scope of geographic area. You acknowledge and agree that your failure to adhere strictly to the restrictions of this Section XII will cause substantial and irreparable damage to us on which there is no adequate remedy at law. You also acknowledge and represent that you have sufficient education, knowledge, and training to earn a living outside operating or participating in a business competitive with the services offered by a Restaurant. Therefore, you hereby acknowledge that any violation of the terms and conditions of the covenants in this Section XII shall give rise to an entitlement to injunctive relief.

F. We shall still have an independent right to apply for equitable relief, including an injunction, regardless of the enforceability of any other section within this Agreement. We shall not be required to arbitrate this or any equitable claim against you arising out of the covenants in this Section XII. You agree that the provisions of this Section XII are and have been a primary inducement to us to enter into this Agreement, and that in the event of breach thereof we would be irreparably injured and would be without adequate remedy at law. Therefore, in the event of a breach or a threatened or attempted breach of any of such provisions, we shall be entitled, in addition to any other remedies which we may have hereunder or at law or in equity (including the right to terminate this Agreement), to a preliminary and/or permanent injunction and a decree for specific performance of the terms hereof without the necessity of showing actual or threatened damage, and without being required to furnish a bond or other security.

G. Further, the parties agree that each section of this Agreement, including subsections, are severable. In the event that any section or subsection of this Agreement is unenforceable, it shall not affect the enforceability of any other section or subsection and each party to this Agreement stipulates and agrees that the court may impose terms that it deems in its discretion shall make the covenant reasonable in terms of its scope, duration and geographical restraint. Further, to the extent a court of competent jurisdiction finds a violation of any of these covenants, the restrictive period shall be tolled from the date of the first violation to the date of the court's order.

H. You understand and acknowledge that we will have the right, in our sole and exclusive business judgment, to reduce the scope of any covenant set forth in this Section XII, or any portion thereof, without your consent, effective immediately upon your receipt of written notice of that fact, and you agree to comply with any covenant as so modified, which will be fully enforceable notwithstanding the provisions of Section XV.G. of this Agreement.

I. In addition, you agree to pay our reasonable attorneys' fees and all other reasonable costs incurred in the prosecution of any action between the parties to enforce the covenants in this Section XII, provided we prevail in said action.

XIII. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

A. It is understood and agreed by you that this Agreement does not create a fiduciary relationship between you and us, that we and you shall be independent contractors, and that nothing in this Agreement is intended to make either party a general or special agent, legal representative, subsidiary, joint venture, partner, employee or servant of the other for any purpose. You acknowledge that we do not supervise or direct your daily affairs and that you have exclusive control over your daily affairs. Furthermore, we are not responsible, jointly or severally, for any encumbrances undertaken by you in relation to the franchise business.

You acknowledge that you are relying solely on us and not on any affiliated entities or parent companies related to us with regard to our financial and other obligations under this Agreement, and no employee or other person speaking on behalf of, or otherwise representing us, has made any statement or promise to the effect that any affiliate, entities or parent companies guarantee our performance or financially stand behind us.

B. You shall conspicuously identify yourself at the Location of each Franchised Restaurant, and in all dealings with customers, contractors, suppliers, public officials and others of the public or private sphere, as a developer of Restaurants under a development agreement with us and as the owner of the Franchised Restaurants under a franchise with us and shall place such other notices of independent ownership on such forms, stationery, advertising and other materials as we may require from time to time. All contracts for your development business and for the Franchised Restaurant's operations and services

will be in your name. You will not enter into or sign any contracts in our name or using the Marks or any acronyms or variations of the Marks. You will disclose in all dealings with the public, suppliers, employees and third parties that you are an independent entity and that we have no liability for your debts.

C. You agree to indemnify and hold harmless us, our affiliates and our/their respective officers, directors, managers, members, partners, shareholders, employees and independent contractors (each, an “Indemnified Party” and collectively, the “Indemnified Parties”), for, from and against any and all claims, actions, damages, liabilities, costs and expenses, including reasonable attorneys’ fees, incurred by the Indemnified Parties as a result of (i) any claim by any third party asserted against any of the Indemnified Parties arising from your alleged performance and/or nonperformance of any of your obligations under this Agreement, or (ii) any other claim arising from alleged violations of your relationship with and responsibility to us, or (iii) any taxes or penalties assessed by any governmental entity against us as directly related to your failure to pay or perform functions required of you under this Agreement.

The Indemnified Party shall notify you in writing of any such claim as soon as practicable after such Indemnified Party obtains knowledge of the assertion of any such claim. The Indemnified Parties shall have the sole right, in their sole business judgment, (i) to retain their own counsel of their own choosing to represent them with respect to any such claim, and (ii) to control the response thereto and the defense thereof, including the right to enter into an agreement to settle such claim. You may participate, at your own expense, in such defense. You agree to give your full cooperation to the Indemnified Parties in assisting the Indemnified Parties with the defense of any such claim, and to reimburse the Indemnified Parties for all of their costs and expenses in defending any such claim, including reasonable attorneys’ fees, within thirty (30) days of the date of each invoice delivered by such Indemnified Party to you enumerating such costs, expenses and attorneys’ fees.

D. The indemnities and assumptions of liabilities and obligations in this Agreement shall continue in full force and effect subsequent to and notwithstanding the expiration, termination or transfer of this Agreement.

XIV. APPROVALS AND WAIVERS

A. We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice of such waiver or reduction to the other or such other effective date stated in the notice of waiver. Whenever this Agreement requires our prior approval or consent, you shall make a timely written request for such approval or consent, and such approval or consent shall be obtained in writing. If, for any reason or no reason, we deny approval or consent, and you seek legal redress for such denial, the only relief to which you will be entitled is to acquire our approval or consent. You are not entitled to any other relief or damages for our denial of approval or consent for any reason or no reason.

B. We make no warranties or guaranties upon which you may rely, and assume no liability or obligation to you, by granting any waiver, approval or consent to you, or by reason of any neglect, delay or denial of any request therefore. Any waiver granted by us shall be without prejudice to any other rights we may have, will be subject to continuing review by us, and may be revoked, in our sole business judgment, at any time and for any reason, effective upon delivery to you of ten (10) days prior written notice.

C. We and you shall not be deemed to have waived or impaired: any right, power or option reserved by this Agreement (including, without limitation the right to demand exact compliance with

every term, condition and covenant in this Agreement or to declare any breach of this Agreement to be a default and to terminate the franchise prior to the expiration of its Term) by virtue of any custom or practice of the parties at variance with the terms in this Agreement; any failure, refusal or neglect of us or you to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations hereunder, including, without limitation, any mandatory specification, standard, or operating procedure; and waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether of the same, similar or different nature, with respect to other Restaurants; or our acceptance of any payments due from you after breach of this Agreement.

D. We assume no liability or obligation to you or any third party to whom we would not be otherwise liable by providing any waiver, approval, consent or suggestion or by reason of any neglect, delay or denial of a request. We will not be liable if we waive any breach or default in performance by you or any other franchisee.

E. Neither we nor you shall be liable for loss or damage or deemed to be in breach of this Agreement if either of our failure to perform either of our obligations results from: (1) transportation shortages, inadequate supply of labor, material or energy, customs or importation problems, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate requests, recommendations or instructions of any federal, state or municipal government or any department or agency of any federal, state or municipal government; (2) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state or municipal government or omissions of the other party; (3) fires, strikes, embargoes, war, or riot; or (4) any other similar event or cause. Any delays resulting from any of said causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable.

XV. ENFORCEMENT

A. Severability and Substitution of Valid Provisions.

1. Except as expressly provided to the contrary in this Agreement, each section, subsection, term and provision of this Agreement, and any portion of each section, subsection, term and provision of this Agreement, shall be considered severable and if, for any reason, any such portion of this Agreement is held to be invalid, contrary to, or in conflict with any applicable present or future law or regulation in a final, un-appealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which we are a party, that ruling shall not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, which shall continue to be given full force and effect and bind the parties to this Agreement, although any portion held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires, if you are a party thereto, otherwise upon your receipt of a notice of non-enforcement thereof from us.

2. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this Agreement than is required hereunder, or the taking of some other action not required hereunder, or if under any applicable and binding law or rule of any jurisdiction any provision of this Agreement or any specification, standard or operating procedure prescribed by us is invalid or unenforceable, the prior notice and/or other action required by such law or rule shall be substituted for the comparable provisions of this Agreement, and we shall have the right, in our sole business judgment, to modify such invalid or unenforceable provision, specification, standard or operating procedure to the extent required to be valid and enforceable. We shall not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, arbitration, hearing or dispute relating to this Agreement or the termination thereof. You agree to

be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions of this Agreement, or any specification, standard or operating procedure prescribed by us, any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which we are a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order. Such modifications to this Agreement shall be effective only in such jurisdiction, unless we elect to give them greater applicability, and shall be enforced as originally made and entered into in all other jurisdictions.

C. Developer May Not Withhold Payments. You agree that you will not, on grounds of the alleged non-performance by us of any of our obligations hereunder or under any Franchise Agreement, withhold payment of any franchise fees, royalty fees, advertising fund contributions, amounts due to us or our affiliate for products and/or services purchased by you or any other amounts due us or any affiliate under this Agreement or under any Franchise Agreement.

D. Governing Law; Dispute Resolution; Waivers of Jury Trial, Class Litigation and Punitive Damages.

1. The Federal Arbitration Act will govern all questions about the enforceability and scope of Section XV.D.3 and no arbitration issues will be resolved under any state statutes, regulations or common law. Otherwise, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement and the franchise independent contractor relationship shall be governed by the laws of the State of Maryland (without reference to its principles of conflicts of law), provided that any law of the State of Maryland that regulates the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section. If we move our corporate headquarters, we shall have the option of determining that the substantive law of the state to which we move will replace all references to Maryland in this Agreement or of continuing to have Maryland law apply. If we choose to have the law of the new state apply, we will so notify all franchisees within six months of our move, and the chosen law will apply to all franchisees thereafter; except any franchise registration or disclosure law or any franchise relationship law of the new state will only apply where the jurisdictional requirements of the law are met independently without reference to this Section.

2. Before any party takes any steps to arbitrate or litigate any dispute or claim arising out of or related to this Agreement or any other agreement between You and us or the breach thereof (including, but not limited to contract, tort and statutory claims) (“Dispute”), the following is required, except as otherwise provided in this Agreement, including but not limited to Section XV.D.5:

(A) The aggrieved party must give the other party (or parties) written notice of any Dispute (the “Dispute Notice”). The Dispute Notice will be addressed to the individual or the operating principal, president, general partner, manager or other executive officer of an entity, as applicable.

(B) Within 15 days after delivery of the Dispute Notice, the receiving party will submit a written response to the other parties. The Dispute Notice and the response will include with reasonable particularity (1) a statement of the sending party’s position and a summary of arguments supporting that position, and (2) the name and title of the executive who will represent that party and of any other person who will accompany the executive. Within 30 days after delivery of the Dispute Notice, a representative from each entity that is a party or the individual party involved in the Dispute will meet

where our corporate headquarters are then located at a mutually acceptable time to attempt in good faith to resolve the Dispute.

(C) If the Dispute has not been resolved within 60 days after delivery of the Dispute Notice, any party to the Dispute, by written notice to the other parties, may initiate mediation, which will be conducted under the auspices of JAMS, Inc. ("JAMS"), or its successor, under its rules governing mediation, in Baltimore, Maryland, or in a city we or JAMS select close to where our headquarters are then located, by a mediator selected from the JAMS panel. The parties will cooperate with JAMS and with one another in selecting a mediator from the JAMS panel of neutrals and in scheduling the mediation proceedings. Each party will bear its own costs with respect to the mediation and the parties will share the cost of the mediation fee equally, except as otherwise provided in Section XV.D.5. Once a party has submitted a Dispute to mediation, the obligation to attend will be binding on both parties. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by any of the parties, their agents, employees, experts and attorneys, and by the mediator or any JAMS employees, are confidential, privileged and inadmissible for any purpose, including impeachment, in any arbitration or other proceeding involving the parties, provided that evidence that is otherwise admissible or discoverable will not be rendered inadmissible or non-discoverable as a result of its use in the mediation.

(D) If the Dispute is not resolved by mediation within 120 days after the delivery of Dispute Notice, then any party to the Dispute may commence arbitration as provided in Section XV.D.3 below.

3. Any and all Disputes arising out of or relating to this Agreement or the breach thereof (including, but not limited to contract, tort and statutory claims) that the parties do not settle through discussion or mediation will be settled exclusively by arbitration held in accordance with the JAMS Comprehensive or Streamlined Arbitration Rules for non-consumer disputes. The hearing will be before a single arbitrator and not a panel, to be held at Baltimore, Maryland, or in the city where our headquarters are then located. The individual arbitrator shall be experienced in the operation of franchise systems either as attorney, accountant or businessperson. The arbitrator's award will be final. Either party may initiate arbitration with respect to the Dispute by filing a written demand for arbitration at any time following the initial mediation session or at any time following 60 days from the date of filing the written request for mediation, whichever occurs first (the "Earliest Initiation Date"). The mediation may continue after the commencement of arbitration if the parties so desire. At no time prior to the Earliest Initiation Date will either side initiate an arbitration or litigation related to this Agreement except to pursue a provisional remedy that is authorized by law or by JAMS Rules or by agreement of the parties, including as provided in Section XV.D.5. However, this limitation is inapplicable to a party if the other party refuses to comply with the requirements to negotiate and then mediate above. All applicable statutes of limitation and defenses based upon the passage of time shall be tolled until 15 days after the Earliest Initiation Date. The parties will take such action, if any, required to effectuate such tolling. Unless prohibited by applicable law, any Dispute must be brought by filing a written demand for arbitration within one (1) year following the conduct, act or other event or occurrence first giving rise to the claim; otherwise, the right to any remedy shall be deemed forever waived and lost. The arbitrator shall render a binding and legally enforceable award that may be confirmed by a court of competent jurisdiction upon application of the prevailing party. Each party shall initially bear its own attorneys' fees and other costs of the arbitration plus 50% of the cost of any arbitration fees or costs. The arbitrator, however, shall in his/her discretion have the authority to award to the prevailing party all costs of the proceeding, including the arbitrator's costs, out-of-pocket disbursements and reasonable attorneys' fees. The arbitrator will not have the authority to: (a) award exemplary or punitive damages; (b) stay the effectiveness of any pending termination of this Agreement; or (c) render any award that modifies or suspends any lawful provision of this Agreement.

4. Any Dispute and any mediation and arbitration will be conducted and resolved on an individual basis only and not a class-wide, multiple plaintiff or similar basis. Any such mediation and arbitration proceeding will not be consolidated with any other mediation or arbitration proceeding involving any other person, except for disputes involving affiliates of the parties to such mediation or arbitration. The parties agree that, in connection with any such arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the Dispute to which it relates. Any such Dispute which is not submitted or filed in such proceeding will be barred. Any arbitration award will have a binding effect only on the actual Dispute arbitrated, and will not have any collateral effect on any other Dispute whatsoever, whether in litigation, arbitration, mediation, or other dispute resolution proceeding.

5. Notwithstanding the foregoing, the infringement of the Marks, the System or copyrighted items, unauthorized disclosure of Confidential Information and violations of the confidentiality or non-competition covenants may cause irreparable harm to us, other franchisees of ours and the System as a whole. Accordingly, claims by either party related to these acts shall not be subject to the mediation and arbitration procedure, including but not limited to, claims for liquidated or punitive damages arising from any such infringement, unauthorized disclosure, or violation of a confidentiality or non-competition covenant. Either party may institute any action against the other related to these acts in any state or federal court of general jurisdiction in the county or district in which our headquarters is located (currently, Baltimore, Baltimore County, Maryland) except that we may obtain injunctive relief in any appropriate forum against actual or threatened conduct that will cause loss or damages, under the usual equity rules. The parties each irrevocably submit to the jurisdiction of such court and waive any objection such party may have to either the jurisdiction or venue of such court.

6. The sole entity against which you may seek damages or any remedy under law or equity for any claim is our entity, or its successor or assign. The shareholders, directors, officers, employees, agents and representatives of our entity, any parent or any of our subsidiaries or affiliates and their shareholders, directors, officers, employees, agents and representatives, shall not be named as a party and shall have no liability hereunder in any proceedings commenced by you if the claim arises out of or relates to this Agreement.

7. Nothing contained in this Agreement shall bar our right to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause us loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and your sole remedy, in the event of the entry of such injunction, shall be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If we secure any such injunction, you agree to pay to us an amount equal to the aggregate costs of obtaining such relief, including, without limitation, reasonable attorneys' fees, costs of investigation, court costs, and other litigation expenses, travel, lodging, meals and incidental costs, and any damages incurred by us as a result of the breach of any provision of this Agreement.

8. WE AND YOU, RESPECTIVELY, WAIVE ANY RIGHT WE AND YOU MIGHT HAVE TO TRIAL BY JURY ON ANY AND ALL CLAIMS ASSERTED AGAINST THE OTHER. WE AND YOU, RESPECTIVELY, EACH ACKNOWLEDGE THAT WE AND YOU, RESPECTIVELY HAVE HAD A FULL OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL CONCERNING THIS WAIVER, AND THAT THIS WAIVER IS INFORMED, VOLUNTARY, INTENTIONAL AND NOT THE RESULT OF UNEQUAL BARGAINING POWER.

9. **YOU AGREE TO MEDIATE, ARBITRATE, OR LITIGATE EACH DISPUTE WITH US ON AN INDIVIDUAL BASIS. YOU WILL NOT CONSOLIDATE ANY DISPUTE IN ANY MEDIATION, ARBITRATION, OR LITIGATION, WITH A CLAIM OF ANY OTHER DEVELOPER, FRANCHISEE, INDIVIDUAL, OR ENTITY, AND YOU WILL NOT PURSUE ANY CLASS CLAIMS IN ANY FORUM THAT ARISE OUT OF OR RELATE TO THIS AGREEMENT. YOU FURTHER AGREE THAT IF THE APPLICABLE JAMS ARBITRATION RULES PURPORT TO INVALIDATE, OR OTHERWISE WOULD RESULT IN A FAILURE TO ENFORCE, THIS PROHIBITION ON CLASS AND CONSOLIDATED ARBITRATIONS, THE ARBITRATION SHALL BE CONDUCTED PURSUANT TO THE COMMERCIAL RULES OF THE AMERICAN ARBITRATION ASSOCIATION (“AAA”). IN THE EVENT THAT THE APPLICABLE RULES OF BOTH JAMS AND AAA PURPORT TO INVALIDATE, OR OTHERWISE WOULD RESULT IN A FAILURE TO ENFORCE, THIS PROHIBITION ON CLASS AND CONSOLIDATED ARBITRATIONS, YOU AGREE THAT THE ARBITRATION SHALL BE CONDUCTED IN BALTIMORE, MARYLAND, BEFORE AN ARBITRATOR APPOINTED BY A FEDERAL COURT PURSUANT TO SECTION 5 OF THE FEDERAL ARBITRATION ACT, 9 U.S.C. § 5, OR BY A MARYLAND STATE COURT PURSUANT TO THE MARYLAND UNIFORM ARBITRATION ACT.**

10. **WE AND YOU HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES. THE ARBITRATOR MAY AWARD INJUNCTIVE RELIEF AS WELL AS DAMAGES, BUT WILL HAVE NO AUTHORITY TO AWARD PUNITIVE OR EXEMPLARY DAMAGES.**

11. In the event any arbitration or legal proceedings between the parties arise under this Agreement, the prevailing party will be entitled to recover reasonable attorneys' fees, arbitration and court costs from the other party, at all proceeding, trial and appellate levels.

12. No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor will it be deemed, exclusive of any other right or remedy under this Agreement or by law or equity provided or permitted, but each will be cumulative of every other right or remedy.

13. Any ruling invalidating any portion of the arbitration clause, or any provision of this Agreement, will not affect the validity of the remainder of the arbitration clause. In addition, in the event that the prohibition against punitive and exemplary damages set forth in Section XV.C.10 is held to be unenforceable, the parties agree that any punitive damage award would be subject to and limited by the due process limitations of the United States Constitution and any other limitations on punitive damages that would otherwise apply under state or federal law.

E. Binding Effect. This Agreement is binding upon the parties to this Agreement and their respective executors, administrators, heirs, assigns and successors in interest.

F. Entire Agreement. This Agreement, together with the documents and schedules attached hereto, contains and reflects the entire agreement and understanding of the parties relating to the subject matter of this Agreement and there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement. All prior negotiations, commitments, representations and understandings of the parties (written or oral) not specifically contained in this Agreement are merged into this Agreement, and no prior representations, inducements, promises or agreements not embodied in this Agreement survive the execution of this Agreement. Provided, however, any representations made by us to you in the most recent Franchise Disclosure

Document delivered by us to you in connection with your entry into this Agreement, including its exhibits and any amendments, shall survive the execution of this Agreement.

G. Amendment. The parties agree that no modification of this Agreement will be valid unless both parties sign such modification in writing, except for modifications to the Manual, which may be made solely by us. No waiver of this Agreement will be effective unless it is in writing and signed by the party or parties against whom such amendment or waiver is to be enforced.

H. Nature and Scope; Construction.

1. If any provision of this Agreement may be construed in two ways, one of which would make the provision illegal or unenforceable and the other which is valid and enforceable, the provision will have the meaning which makes it enforceable. This Agreement is to be read according to its fair meaning and is not to be interpreted strictly against either party. The parties intend that this Agreement be enforceable to the fullest extent. If any court finds that any provision is not enforceable as written, we and you agree that the provision be amended so that it is enforceable to the fullest extent permissible under applicable law and public policy. The provisions of this Agreement are severable. If any provision of this Agreement or the Manual is found to be invalid, the remaining provisions of this Agreement or the Manual will be considered valid and enforceable, and partially valid provisions will be enforced to the extent that they are valid and enforceable. The titles of the sections and paragraphs are for convenience only and are not a part of the text of this Agreement. Except as expressly provided herein, nothing in this Agreement confers any rights or remedies on any person or legal entity not a party to this Agreement. Time is of the essence under this Agreement.

2. The term "you" or the "Developer" as used in this Agreement is applicable to one or more persons, a corporation, or limited liability company, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two or more persons are at any time the Developer hereunder, their obligations and liabilities to us shall be joint and several. References to "you," the "Developer" and "assignee" which are applicable to an individual or individuals shall mean the principal owner(s) of the equity or operating control of "you," the "Developer" or "assignee" if "you," the "Developer" or "assignee" is a corporation or limited liability company.

3. This Agreement may be executed in multiple copies, each of which shall be deemed an original.

XVI. NOTICES

You and we agree that all written notices which are required by this Agreement or the Manual will be considered delivered three (3) days after being placed in the U.S. Mail, by certified mail, return receipt requested or one (1) day after being sent by Federal Express or other receipted overnight courier service, if they are sent to the address for each party cited on the cover page at the beginning of this Agreement or to another address, as long as the party with the changed address has notified the other party in writing in accordance with this Section XVI. Notwithstanding the foregoing, rejection or refusal to accept any notice, or the inability to deliver any notice because of a changed address of which no notice was given pursuant to this Section XVI, will be deemed receipt of the notice. In addition, we may elect to provide any information we are required to or desire to communicate to you solely through our website(s) and/or intranets or other electronic means, including email, without any need to provide you with a paper copy or other physical format. You will provide us with your current home address and email address at all times.

XVII. ACKNOWLEDGMENTS

You acknowledge:

A. YOU HAVE CONDUCTED AN INDEPENDENT INVESTIGATION OF THE FRANCHISE BUSINESS CONTEMPLATED BY THIS AGREEMENT AND UNDERSTAND THAT THE BUSINESS CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS MAKING THE SUCCESS OF THE VENTURE LARGELY DEPENDENT UPON YOUR BUSINESS ABILITIES AND PARTICIPATION AND YOUR EFFORTS AS AN INDEPENDENT BUSINESS OPERATOR. YOU ALSO RECOGNIZE AND ACKNOWLEDGE THAT YOU MAY INCUR EXPENSES OR OBLIGATIONS WHICH THIS AGREEMENT MAY NOT ADDRESS.

B. YOU HAVE NO KNOWLEDGE OF ANY REPRESENTATIONS BY US OR OUR OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR SERVANTS, ABOUT THE BUSINESS CONTEMPLATED BY THIS AGREEMENT THAT ARE CONTRARY TO THE TERMS OF THIS AGREEMENT OR THE DOCUMENTS INCORPORATED IN THIS AGREEMENT. YOU HAVE NOT RECEIVED ANY REPRESENTATION, WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF YOUR BUSINESS OR THE EXPLOITATION OF YOUR FRANCHISE DEVELOPMENT RIGHTS UNDER THIS AGREEMENT. IN FACT, YOU ACKNOWLEDGE THAT YOU HAVE ENTERED INTO THIS AGREEMENT AFTER MAKING AN INDEPENDENT INVESTIGATION OF THE FRANCHISE SYSTEM AND OF US. YOU REPRESENT, AS AN INDUCEMENT TO OUR ENTRY INTO THIS AGREEMENT, THAT YOU HAVE MADE NO MISREPRESENTATIONS IN OBTAINING THIS AGREEMENT.

C. WE OR OUR AGENT HAS PROVIDED YOU WITH A FRANCHISE DISCLOSURE DOCUMENT NOT LATER THAN FOURTEEN (14) CALENDAR DAYS BEFORE THE EXECUTION OF THIS AGREEMENT, OR FOURTEEN (14) CALENDAR DAYS BEFORE ANY PAYMENT OF ANY CONSIDERATION, OR EARLIER IN THE SALES PROCESS IF YOU REQUESTED IT, OR SOONER IF REQUIRED UNDER STATE LAW (AT LEAST 10 BUSINESS DAYS IN MICHIGAN, AND AT LEAST THE EARLIER OF 10 BUSINESS DAYS (14 CALENDAR DAYS IN IOWA) OR THE FIRST PERSONAL MEETING IN IOWA AND NEW YORK). YOU FURTHER ACKNOWLEDGE THAT YOU HAVE READ OUR FRANCHISE DISCLOSURE DOCUMENT AND UNDERSTAND ITS CONTENTS.

D. YOU HAVE HAD AN OPPORTUNITY TO REVIEW THIS AGREEMENT, AS WELL AS THE FRANCHISE DISCLOSURE DOCUMENT, THAT YOU HAVE HAD AMPLE OPPORTUNITY TO CONSULT WITH AN ATTORNEY OR OTHER PROFESSIONAL ADVISOR AND THAT OUR ATTORNEYS HAVE NOT ADVISED OR REPRESENTED YOU WITH RESPECT TO THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT. YOU ACKNOWLEDGE THAT YOU RECEIVED A COMPLETELY FILLED IN MULTI-UNIT DEVELOPMENT AGREEMENT WHICH DID NOT DIFFER MATERIALLY FROM THE FORM OF MULTI-UNIT DEVELOPMENT AGREEMENT ATTACHED TO OUR FRANCHISE DISCLOSURE DOCUMENT, OR IF IT DID DIFFER MATERIALLY, (i) YOU RECEIVED A COMPLETELY FILLED IN MULTI-UNIT DEVELOPMENT AGREEMENT AT LEAST SEVEN (7) CALENDAR DAYS PRIOR TO YOUR SIGNING THIS AGREEMENT, OR (ii) THE DIFFERENCES WERE A RESULT OF NEGOTIATED CHANGES YOU REQUESTED AND YOU HAD AN OPPORTUNITY TO REVIEW THE CHANGES BEFORE SIGNING THIS AGREEMENT.

E. YOU, TOGETHER WITH YOUR ADVISERS, HAVE SUFFICIENT KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS TO MAKE AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE DEVELOPMENT AND FRANCHISE RIGHTS.

F. YOU ARE AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE MULTI-UNIT DEVELOPERS AND FRANCHISEES OF OURS MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENT(S), AND CONSEQUENTLY THAT OUR OBLIGATIONS AND RIGHTS WITH RESPECT TO OUR VARIOUS MULTI-UNIT DEVELOPERS AND FRANCHISEES MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES.

G. THIS AGREEMENT WILL NOT BE EFFECTIVE UNTIL ACCEPTED BY US AS EVIDENCED BY THE DATING AND SIGNING OF THIS AGREEMENT BY AN AUTHORIZED OFFICER OF OURS.

[SIGNATURES FOLLOW ON THE NEXT PAGE]

IN WITNESS WHEREOF, the parties intending to be bound legally, have fully signed, sealed and delivered this **Multi-Unit Development Agreement** as of the day and year first above written.

FRANCHISOR:

CHAPS PIT BEEF FRANCHISING LLC

A Maryland Limited Liability Company

By: _____

Name: _____

Its: _____

DEVELOPER:

Signature: _____ (Seal)

Printed Name: _____

Email: _____

Date: _____

Signature: _____ (Seal)

Printed Name: _____

Email: _____

Date: _____

EXHIBIT 1

**TO THE MULTI-UNIT DEVELOPMENT AGREEMENT
BY AND BETWEEN CHAPS PIT BEEF FRANCHISING LLC
AND:**

DEVELOPMENT AREA AND DEVELOPMENT SCHEDULE

A. The **Development Area** referred to in the Agreement shall be:

B. The total **Development Fee** referred to in Section IV.A. of the Agreement equals:

\$30,000; plus

\$_____ [\$10,000 x _____ (the number of additional Restaurants
to be developed, after the first)]

Total \$_____

DEVELOPMENT SCHEDULE

Development Period	Number of Restaurants to be Opened During the Period	Cumulative Number of Restaurants to be Operating as of Last Day of the Period
___/___/___ - ___/___/___	_____	_____
___/___/___ - ___/___/___	_____	_____
___/___/___ - ___/___/___	_____	_____
___/___/___ - ___/___/___	_____	_____
___/___/___ - ___/___/___	_____	_____
___/___/___ - ___/___/___	_____	_____
___/___/___ - ___/___/___	_____	_____
___/___/___ - ___/___/___	_____	_____
___/___/___ - ___/___/___	_____	_____

SCHEDULE 1
TO THE MULTI-UNIT DEVELOPMENT AGREEMENT
BY AND BETWEEN CHAPS PIT BEEF FRANCHISING LLC
AND:

DEVELOPER IDENTIFICATION AND OWNERSHIP

As of _____, 20____, the following information is true, accurate and correct:

Name(s) of Developer: _____

Form of Developer (check one):

- (i) ____ corporation; (ii) ____ limited liability company;
(iii) ____ individual(s); (iv) ____ partnership;
(v) ____ other (describe) _____

Names and addresses of shareholders, partners, members, or other ownership holders of Developer:

Names and Addresses	Percentage of Ownership Held
_____ _____ _____ _____	_____%
_____ _____ _____ _____	_____%
_____ _____ _____ _____	_____%
_____ _____ _____ _____	_____%

EXHIBIT D

CHAPS PIT BEEF FRANCHISING LLC

FRANCHISEE DISCLOSURE QUESTIONNAIRE

You (either individually or as a principal of a corporation or limited liability company and on such entity's behalf) are preparing to enter into a Franchise Agreement and/or a Multi-Unit Development Agreement for the operation of a **CHAPS PIT BEEF®** Restaurant or **FAMOUS CHAPS PIT BEEF 1987™** Restaurant and/or development of multiple **CHAPS PIT BEEF®** and/or **FAMOUS CHAPS PIT BEEF 1987™** restaurants in a defined geographic area. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that were not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed the Franchise Agreement, and if applicable, the Multi-Unit Development Agreement, and each exhibit and schedule attached to the agreement?

Yes ____ No ____

2. Do you understand all of the information contained in the Franchise Agreement, and if applicable, the Multi-Unit Development Agreement, and each exhibit and schedule attached to the agreement?

Yes ____ No ____

If no, what parts of the **Franchise Agreement** do you not understand? (Attach additional pages, if necessary)

If no, what parts of the **Multi-Unit Development Agreement** do you not understand? (Attach additional pages, if necessary)

3. Have you received and personally reviewed the Franchise Disclosure Document we provided to you?

Yes ____ No ____

4. Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?

Yes ____ No ____

5. Do you understand all of the information contained in the Franchise Disclosure Document?

Yes ____ No ____

If no, what parts of the Franchise Disclosure Document do you not understand? (Attach additional pages, if necessary)

6. Have you discussed the benefits and risks of operating the franchise with an attorney, accountant or other professional advisor, and do you understand those risks?

Yes ____ No ____

7. Do you understand that the success or failure of your franchise will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes ____ No ____

8. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise concerning the revenue, profits or operating costs of franchises operated by Franchisor or its affiliates or franchisees?

Yes ____ No ____

8.A. Has any employee or other person speaking on behalf of Franchisor made any statement or promise concerning the revenue, profit or operating costs of franchises operated by Franchisor or its affiliates or franchisees that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes ____ No ____

9. Has any employee or other person speaking on behalf of Franchisor made any statement or promise regarding the amount of money you may earn in operating the franchise?

Yes ____ No ____

9.A. Has any employee or other person speaking on behalf of Franchisor made any statement or promise regarding the amount of money you may earn in operating the franchise that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes ____ No ____

10. Has any employee or other person speaking on behalf of Franchisor made any statement or promise concerning the total amount of revenue the franchise will generate?

Yes ____ No ____

10.A. Has any employee or other person speaking on behalf of Franchisor made any statement or promise concerning the total amount of revenue the franchise will generate that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes ____ No ____

11. Has any employee or other person speaking on behalf of Franchisor made any statement or promise regarding the costs you may incur in operating the franchise?

Yes ____ No ____

11.A. Has any employee or other person speaking on behalf of Franchisor made any statement or promise regarding the costs you may incur in operating the franchise that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes ____ No ____

12. Has any employee or other person speaking on behalf of Franchisor made any statement or promise concerning the revenue, profits, operating costs or the likelihood of success that you should or might expect to achieve from operating the franchise?

Yes ____ No ____

12.A. Has any employee or other person speaking on behalf of Franchisor made any statement or promise concerning the revenue, profits, operating costs or the likelihood of success that you should or might expect to achieve from operating the franchise that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes ____ No ____

13. Has any employee or other person speaking on behalf of Franchisor made any statement, promise or agreement concerning advertising, marketing, training, support service or assistance that Franchisor will furnish to you that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes ____ No ____

14. If you have answered "Yes" to any of the questions 8. through 13., please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.)

15. **MARYLAND AMENDMENT.**

In recognition of the requirements of Maryland law, including the Maryland Franchise Registration and Disclosure Law, Annotated Code of Maryland, Article – Business Regulation, Title 14, Sections 14-201 through 14-233, this Questionnaire is supplemented by adding the following, but only if the jurisdictional requirement of the Maryland statute is met and applicable to the Franchise Agreement and/or the Multi-Unit Development Agreement, independently of this Section 15:

All representations contained in this Questionnaire requiring you to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

* * * * *

You understand that your answers are important to us and that we will rely on them in entering into the Franchise Agreement with you.

By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

Date_____

Signature

Typed or Printed Name

Date_____

Signature

Typed or Printed Name

EXHIBIT E

CHAPS PIT BEEF FRANCHISING LLC

ASSIGNMENT AND ASSUMPTION AGREEMENT

This ASSIGNMENT AND ASSUMPTION AGREEMENT (this “*Assignment Agreement*”) is made and entered into on _____, 20____, by and among **CHAPS PIT BEEF FRANCHISING**, a Maryland limited liability company, with its principal offices at 8 Patrick Way, Kingsville, MD 21807 (“*CHAPS*”), and the undersigned individuals (collectively, “*Assignor*”), and _____, (“*Assignee*”) a _____ [state of formation] _____ [corporation or limited liability company] owned and controlled by Assignor.

BACKGROUND

A. Assignor and CHAPS entered into a certain Franchise Agreement dated _____, 20____ (the “*Franchise Agreement*”) whereby Assignor was given the right and undertook the obligation to operate the **CHAPS PIT BEEF®** or **FAMOUS CHAPS PIT BEEF 1987™** Franchised Restaurant located within the Designated Area and located at:

___ [Check if applicable] Assignor and CHAPS entered into a certain Multi-Unit Development Agreement dated _____, 20____ (the “*Multi-Unit Agreement*”) whereby Assignor was given the right and undertook the obligation to develop multiple Franchised Restaurants located within the Development Area.

Capitalized terms in this Assignment Agreement that are not defined in this Assignment Agreement will have the meanings assigned to them in the Franchise Agreement and/or the Multi-Unit Agreement.

B. Assignor has organized and incorporated or formed Assignee for the convenience and purpose of owning and operating the Franchised Restaurant and/or developing the Franchised Restaurants under the Multi-Unit Agreement, if applicable.

C. Assignor desires to assign its rights and obligations under the Franchise Agreement and the Multi-Unit Agreement, if applicable, to Assignee pursuant to and in accordance with the provisions of the Franchise Agreement and the Multi-Unit Agreement, if applicable.

D. CHAPS is willing to consent to the assignment of the Franchise Agreement and the Multi-Unit Agreement, if applicable, to Assignee, subject to the terms and conditions of this Assignment Agreement, including Assignor’s agreement to guarantee the performance by Assignee of its obligations under the Franchise Agreement and to continue to be bound by all of the provisions of the Franchise Agreement, and if applicable, Assignor’s agreement to guarantee the performance by Assignee of its obligations under the Multi-Unit Agreement and to continue to be bound by all of the provisions of the Multi-Unit Agreement.

AGREEMENT

In consideration of the mutual covenants contained in this Assignment Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, and intending to be legally bound, the parties agree as follows:

1. Assignor hereby assigns and transfers over to Assignee all of its right, title and interest in and to the Franchise Agreement, effective as of the date hereof. If applicable, Assignor hereby assigns and transfers over to Assignee all of its right, title and interest in and to the Multi-Unit Agreement, effective as of the date hereof.

2. Assignee hereby assumes all of Assignor's obligations, agreements, commitments, duties and liabilities under the Franchise Agreement, and agrees to be bound by and observe and faithfully perform all of the obligations, agreements, commitments and duties of the franchisee under the Franchise Agreement with the same force and effect as if the Franchise Agreement were originally written with Assignee as franchisee. If applicable, Assignee hereby assumes all of Assignor's obligations, agreements, commitments, duties and liabilities under the Multi-Unit Agreement, and agrees to be bound by and observe and faithfully perform all of the obligations, agreements, commitments and duties of the developer under the Multi-Unit Agreement with the same force and effect as if the Multi-Unit Agreement were originally written with Assignee as developer.

3. Assignor agrees that Assignor will continue to be personally bound by the provisions of the Franchise Agreement, and if applicable, the Multi-Unit Agreement, that expressly or by implication are intended to remain applicable to Assignor personally following the transfer to Assignee, including but not limited to: the provisions contained in the following sections of the Franchise Agreement, and any successor or replacement provisions however numbered: Section 4 (Marks), Section 5 (Trade Secrets; In-Term Covenant), Section 6 (Relationship of the Parties/Indemnification), Section 8.4(iii) (Patriot Act Compliance), Section 10 (Records and Reports), Section 12 (Assignment/Transfer or Other Disposition of the Business), Section 15 (Rights and Obligations of the Franchisor and Franchisee Upon Termination, Expiration or Transfer of the Franchise), Section 16 (Enforcement, including governing law, dispute resolution, the agreement to arbitrate, **waiver of jury trial** and waiver of class arbitration and litigation and punitive damages), Section 17 (Notice and Payment), Section 18 (Acknowledgments) and the general provisions, and that nothing contained in this Assignment Agreement will be deemed to relieve Assignor of any of these obligations; and if applicable, the provisions contained in the following sections of the Multi-Unit Agreement, and any successor or replacement provisions however numbered: Section I (Definitions), Section VII. (Confidential Brand Standards Manual); Section VIII. (Use of Marks), Section X (Post Termination Obligations of Developer), Section XI. (Assignment by Developer or Franchisor), Section XII. (Restrictive Covenants), Section XIII. (Independent Contractor and Indemnification), Section XV. (Enforcement, including governing law, dispute resolution, the agreement to arbitrate, **waiver of jury trial** and waiver of class arbitration and litigation and punitive damages), Section XVI. (Notices), Section XVII. (Acknowledgments) and the general provisions, and that nothing contained in this Assignment Agreement will be deemed to relieve Assignor of any of these obligations.

Assignor further agrees to, and by this instrument does hereby, guarantee the performance by Assignee, in the same manner and with the same recourse against Assignor, as if Assignor were the Franchisee and if applicable, the Developer, of all of Assignee's obligations, commitments, duties and liabilities under the Franchise Agreement and the Multi-Unit Agreement. Without limiting the foregoing, Assignor irrevocably and unconditionally guarantees to CHAPS: (i) that Assignee will pay all amounts to be paid and otherwise comply with all provisions of the Franchise Agreement and if applicable, the Multi-Unit Agreement, or any other agreement with CHAPS or its affiliates concerning the operation of the Franchised Restaurant or development of the Franchised Restaurants; and (ii) that if Assignee defaults in making any such payments or complying with any such provisions, Assignor will pay forthwith upon demand all amounts due and owing CHAPS and all damages that may arise as a result of any such non-compliance.

4. In the enforcement of any of its rights against Assignor, CHAPS may proceed as if Assignor were the primary obligor under the Franchise Agreement and if applicable, the Multi-Unit Agreement. Assignor waives any right to require CHAPS to first proceed against Assignee or to proceed against or exhaust any security (if any) held by CHAPS or to pursue any other remedy available to it before proceeding against Assignor. Assignor waives notice of demand for payment, protest, notice of protest and notice of default, and all other notices and legal or equitable defenses to which Assignor may be entitled. No dealings between CHAPS and Assignee will exonerate, release, discharge or in any way reduce the obligations of Assignor hereunder, in whole or in part and in particular and without limiting the generality of the foregoing, CHAPS may modify or amend the Franchise Agreement and if applicable, the Multi-Unit Agreement, grant any indulgence, release, postponement or extension of time, waive any term or condition of the Franchise Agreement and if applicable, the Multi-Unit Agreement, or any obligation of Assignee, take or release any securities or other guarantees for the performance by Assignee of any of its obligations, and otherwise deal with Assignee as CHAPS may see fit without affecting, lessening or limiting in any way the liability of Assignor. Nothing but payment and satisfaction in full of the obligations owing CHAPS by Assignee will release Assignor from Assignor's obligations under this Assignment Agreement. Notwithstanding any assignment for the general benefit of creditors or any bankruptcy or other act of insolvency by Assignee and notwithstanding any rejection, disaffirmation or disclaimer of this Assignment Agreement or the Franchise Agreement or if applicable, the Multi-Unit Agreement, Assignor will continue to be fully liable. Upon any such assignment for the general benefit of creditors, bankruptcy or other act of insolvency, or the winding up or distribution of any of the assets of Assignee, CHAPS's rights will not be affected or impaired by its omission to prove its claim or to prove its full claim and CHAPS may prove such claims as it sees fit and may refrain from proving any claim. Neither the liability of Assignor nor the rights of CHAPS will in any way be released, diminished, or extinguished or in any way affected by any failure on the part of CHAPS to assert its rights under this Assignment Agreement.

5. This Assignment Agreement will be binding upon and inure to the benefit of the parties and their heirs, successors and assigns.

6. Assignor and Assignee agree that this Assignment Agreement takes effect when accepted and signed by CHAPS in Maryland. This Assignment Agreement shall be governed by the enforcement provisions in Section 16 of the Franchise Agreement, and if applicable, the similar provisions under Section XV. of the Multi-Unit Agreement, including governing law, dispute resolution, the agreement to arbitrate, **waiver of jury trial** and waiver of class arbitration and litigation and punitive damages.

7. This Assignment Agreement will constitute the entire integrated agreement between the parties with respect to the subject matter contained herein and will not be subject to change, modification, amendment or addition without the express written consent of all the parties.

8. If CHAPS retains the services of legal counsel to enforce the terms of this Assignment Agreement, CHAPS will be entitled to recover all costs and expenses, including travel, reasonable attorneys', expert and investigative fees, incurred in enforcing the terms of this Assignment Agreement.

9. Each party declares that the terms of this Assignment Agreement have been completely read and are fully understood and voluntarily accepted by each party, after having a reasonable opportunity to retain and confer with counsel. This Assignment Agreement is entered into after a full investigation by the parties, and the parties are not relying upon any statements or representations not contained in this Assignment Agreement.

10. The individual signing below on behalf of the Assignee acknowledges his/her authority to sign this Assignment Agreement on behalf of Assignee.

11. The obligations of Assignors under this Assignment Agreement will be joint and several.

[Signature Page Follows]

ASSIGNOR AND ASSIGNEE REPRESENT THAT THEY HAVE READ THE ABOVE ASSIGNMENT AGREEMENT, AND UNDERSTAND ITS TERMS, AND THAT THEY WOULD NOT SIGN THIS ASSIGNMENT AGREEMENT IF THEY DID NOT UNDERSTAND IT AND AGREE TO BE BOUND BY ITS TERMS.

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

CHAPS PIT BEEF FRANCHISING LLC
A Maryland Limited Liability Company

By: _____

Name: _____

Its: _____

ASSIGNOR:

Signature: _____ (Seal)

Printed Name: _____

Email: _____

Date: _____

Signature: _____ (Seal)

Printed Name: _____

Email: _____

Date: _____

ASSIGNEE: _____

A _____

By: _____

Name: _____

Its: _____

EXHIBIT F

CHAPS PIT BEEF FRANCHISING LLC

COLLATERAL ASSIGNMENT OF LEASE

COLLATERAL ASSIGNMENT OF LEASE (To be signed when franchisee leases the premises)

FOR VALUE RECEIVED, the undersigned (“Assignor”) hereby assigns, transfers and sets over unto CHAPS PIT BEEF FRANCHISING LLC, a Maryland limited liability company (“Assignee”), all of Assignor’s right, title and interest as lessee in, to and under that certain lease, a copy of which is attached hereto (the “Lease”), respecting the premises located at _____ (the “Premises”).

This Collateral Assignment of Lease (the “*Collateral Assignment*”) is for collateral purposes only and except as specified herein, Assignee will have no liability or obligation of any kind whatsoever arising from or in connection with this Collateral Assignment or the Lease unless Assignee will take possession of the Premises demised by the Lease pursuant to the terms hereof and will assume the obligations of Assignor thereunder. Assignor hereby agrees to indemnify and hold harmless Assignee from and against all claims and demands of any type, kind or nature made by any third party which arise out of or are in any manner connected with Assignor’s use and occupancy of the Premises.

Assignor represents and warrants to Assignee that it has full power and authority to assign the Lease and its interest therein.

Upon a default by Assignor under the Lease or under the Franchise Agreement for the **CHAPS PIT BEEF®** or **FAMOUS CHAPS PIT BEEF 1987™** restaurant franchise between Assignee and Assignor (the “*Franchise Agreement*”), which is not cured within the time prescribed, or if there is a default by Assignor under any document or instrument securing said Franchise Agreement which is not cured within the time prescribed therein, Assignee will have the right and is hereby empowered to take possession of the Premises demised by the Lease, have Assignor expelled therefrom, and, in such event, Assignor will have no further right, title or interest in the Lease. Assignor will reimburse Assignee for the costs and expenses incurred in connection with any such retaking, including, but not limited to the payment of any back rent and other payments due under the Lease, whether the payments are made by guaranty or separate agreement with Lessor or otherwise, attorneys’ fees and expenses of litigation incurred in enforcing this Collateral Assignment, brokerage fees and commissions, costs incurred in reletting the Premises and putting the Premises in good working order and repair.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee, including by reason of the purchase of the Premises by Assignor or a business entity affiliated with Assignor. Throughout the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it will elect and exercise all options to extend the term of or renew the Lease not less than 30 days before the last day that said option must be exercised, unless Assignee otherwise agrees in writing. Upon failure of Assignor to extend or renew the Lease as aforesaid, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting such extension or renewal.

Upon termination or expiration of the Franchise Agreement or the Lease, Assignee will have the right to enter the Premises and make all necessary modifications or alterations to the Premises for the removal of all articles which display Assignee's Marks (as defined in the Franchise Agreement), including all signs, advertising materials, stationery and forms. Assignee's right to enter will not be deemed as trespassing.

All terms capitalized, but not defined herein, will and have the meaning ascribed thereto in the Lease.

The obligations of Assignor hereunder will be individual, joint and several.

ASSIGNOR ACKNOWLEDGES HE, SHE OR IT HAS READ THIS COLLATERAL ASSIGNMENT AND UNDERSTANDS ITS TERMS. ASSIGNOR WOULD NOT SIGN THIS COLLATERAL ASSIGNMENT IF ASSIGNOR DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.

Intending to be bound hereby, the parties have signed this Collateral Assignment of Lease on _____, 20____.

ASSIGNEE: CHAPS PIT BEEF FRANCHISE LLC
A Maryland Limited Liability Company

By: _____

Name: _____

Its: _____

ASSIGNOR:
(Individual(s)) Assignor)

(Entity Assignor)

Signature: _____ (Seal)

Printed Name: _____

Email: _____

Date: _____

Signature: _____ (Seal)

Printed Name: _____

Email: _____

Date: _____

Entity Name:

A _____

By: _____

Name: _____

Its: _____

CONSENT AND AGREEMENT OF LESSOR
(To be signed when franchisee leases the premises)

The undersigned Lessor, under the Lease (the “*Lease*”) dated _____, 20____, between Lessor and _____ (collectively, “*Assignor*”), hereby approves the attached Collateral Assignment of Lease (the “*Collateral Assignment*”) between CHAPS PIT BEEF FRANCHISING LLC, a Maryland limited liability company with its principal offices at 8 Patrick Way, Kingsville, MD 21807 (“*CHAPS*”) and Assignor. In connection with the Collateral Assignment, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Lessor and CHAPS agree as follows:

(a) Lessor will notify CHAPS in writing of any material default by Assignor under the Lease as and when such defaults occur;

(b) Pursuant to the Collateral Assignment, if Assignor defaults in its material obligations under the Lease or under its Franchise Agreement for the **CHAPS PIT BEEF®** or **FAMOUS CHAPS PIT BEEF 1987™** restaurant franchise (the “*Franchise Agreement*”), CHAPS will have the right, but not the obligation, and is hereby empowered to take possession of the Premises demised by the Lease, and in such event, Assignor will have no further right, title or interest in the Lease;

(c) CHAPS may exercise its rights under the Collateral Assignment upon the occurrence of either of the following events: (i) Lessor’s receipt of notice from CHAPS that Assignor is in material default of the Franchise Agreement and has failed to cure within the time prescribed thereunder, or (ii) CHAPS’s receipt of any notice of default by Assignor under the Lease, in which event, if CHAPS elects to exercise its rights under the Collateral Assignment, it will, within 30 days of CHAPS’s or Lessor’s receipt of the applicable notice, as set forth above, notify Lessor of its intention to take possession of the Premises with no liability for any default of Assignor up to the point CHAPS assumes the Lease;

(d) If CHAPS exercises its rights under the Collateral Assignment, Lessor will take all action necessary to retake the Premises and deliver same to CHAPS. Such action will include termination, eviction and legal action and CHAPS will have no obligation under the Collateral Assignment until the Premises are lawfully tendered to it;

(e) If CHAPS takes possession of the Premises demised by the Lease and confirms to Lessor the assumption of the Lease by CHAPS as lessee under the Lease, Lessor will recognize CHAPS as lessee under the Lease;

(f) Lessor agrees that CHAPS may further assign the Lease to a person or business entity who CHAPS will approve as a franchisee and will agree to assume lessee’s obligations under the Lease, and upon such assignment, CHAPS will have no further liability or obligation under the Lease as Assignee, lessee or otherwise;

(g) Upon termination or expiration of the Franchise Agreement or the Lease, CHAPS will have the right to enter the Premises and make all necessary modifications or alterations to the Premises for the removal of all articles which display CHAPS’s Marks (as defined in the Franchise Agreement), including all signs, advertising materials, stationery and forms. CHAPS’s right to enter will not be deemed as trespassing.

All terms capitalized, but not defined in this Consent and Agreement of Lessor, will have the meaning assigned to them in the Lease.

Intending to be bound, the parties have signed this Consent and Agreement of Lessor on _____, 20____.

CHAPS PIT BEEF FRANCHISE LLC
A Maryland Limited Liability Company

LESSOR:

By: _____

By: _____

Name: _____

Name: _____

Its: _____

Its: _____

EXHIBIT G

CHAPS PIT BEEF FRANCHISING LLC

CONFIDENTIALITY AND NONCOMPETITION AGREEMENT

CHAPS PIT BEEF FRANCHISING LLC

CONFIDENTIALITY AND NONCOMPETITION AGREEMENT

(for trained employees, franchisees and others associated with the franchisee)

In consideration of my being a _____ [fill in relationship to the franchisee, for example, equity owner, employee, vendor] of _____ [fill in name of franchisee] ("*Franchisee*"), the disclosure to me of certain confidential information and trade secrets, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, intending to be legally bound, I acknowledge and agree that:

1. Franchisee has acquired the right and franchise from CHAPS PIT BEEF FRANCHISING LLC, a Maryland limited liability company (the "*Company*") to establish and operate one or more restaurants in a designated area under the name CHAPS PIT BEEF® or FAMOUS CHAPS PIT BEEF 1987™ (the "*Franchised Restaurant*") and the right to use in the operation of the Franchised Restaurant the Company's licensed trade names, trademarks, service marks, including the service mark CHAPS PIT BEEF® or FAMOUS CHAPS PIT BEEF 1987™ (the "*Marks*") and the Company's licensed system for operation and management of CHAPS PIT BEEF® or FAMOUS CHAPS PIT BEEF 1987™ restaurants (the "*System*"), as they may be changed, improved and further developed from time to time in the Company's sole discretion.

2. Franchisee has licensed from the Company certain proprietary and confidential information of the Company and of its affiliate Chaps Pit Beef, Inc., a Maryland corporation ("*Licensor*") relating to the operation of the System, which includes the Brand Standards Manual (the "*Manual*"), trade secrets and copyrighted material, methods and other techniques and know-how (together, "*Confidential Information*").

3. In my position with Franchisee described at the beginning of this Agreement, Franchisee and/or the Company will disclose Confidential Information to me.

4. I acknowledge that the System is unique and not available to the general public and I had no part in the creation or development of the System, including the Marks, the Manual and other Confidential Information. I will not acquire any interest in Confidential Information. Confidential Information is owned by Licensor and/or the Company, involves trade secrets of Licensor and/or the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I will hold in strict confidence all Confidential Information. I will not use, copy, disclose or divulge any part of the Manual or other Confidential Information which may be communicated or disclosed to me or which I may learn in my position with Franchisee, other than disclosure to employees who reasonably require the information to fulfill their employment responsibilities, but only to the extent necessary. The use or duplication of Confidential Information for any use outside the System would be unauthorized disclosure and an unfair method of competition.

5. I will only have the right to use Confidential Information for the purpose it is disclosed to me in my capacity with Franchisee unless the Company otherwise grants me permission in writing. For example, if I am an employee, I may use Confidential Information only in the performance of my duties in the operation of the Franchised Restaurant. I will continue not to disclose any Confidential Information and I will not use any Confidential Information for my own benefit or the benefit of any other person or company even after I cease my relationship with Franchisee unless I can demonstrate that the information has become generally known or easily accessible other than by my breach of this Agreement

or Franchisee's breach of an obligation to the Company or unless the Company otherwise grants me permission in writing.

6. I will disclose promptly to Franchisee any idea, concept, technique or material concerning the System that I create in the operation of the Franchised Restaurant or using assets of Franchisee's or of the Company, including any aspects of the System or any Confidential Information ("Ideas"). Licensor and/or the Company will own all rights in all Ideas. Any copyrightable Ideas will be deemed works made for hire and Licensor and/or the Company will own all rights in them. If Ideas do not qualify as works made for hire, by signing this Agreement I assign to Licensor and/or the Company ownership of any and all rights in Ideas. Franchisee, Licensor and/or the Company may use and authorize any third party to use any Ideas or other information I provide to Franchisee in any manner in my relationship with Franchisee without any additional compensation to me. I will, upon request, promptly sign all applications, assignments, or other instruments that Licensor and/or the Company deems necessary to apply for and obtain invention rights, patents, patent applications, letters patent, copyrights, trademarks, and reissues of any of these rights in the United States and foreign countries on Ideas and to confirm the assignment to Licensor and/or the Company of the sole and exclusive rights, title, and interest in and to my right in and to Ideas.

7. *[The following noncompetition covenant shall only be used in agreements for franchisees, franchisee's officers, directors and owners and only employees who are a General Manager, Kitchen Manager and Pit Master:]* Except as otherwise approved in writing by the Company, I will not, while in my position with Franchisee and for a continuous uninterrupted period of 2 years after my relationship with Franchisee ceases or terminates, regardless of the cause, either directly or indirectly, for myself or through, on behalf of, or in conjunction with any other person or entity, do any of the following:

(i) divert or attempt to divert any business or customer of the Franchised Restaurant to any competitor or do or perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or

(ii) have any direct or indirect interest as an owner, director, manager, officer, employee, consultant, representative or agent, or lease real estate to or finance, or serve or act in any other capacity, in any other competitive service, business or activity in which 25% or more of the sales volume is derived from the sale of pit beef, BBQ, ribs, ham, turkey and/or any type of burgers or hot dogs or similar sandwich, including any kind of beef, turkey, BBQ, sausage or chicken; provided that after my relationship with Franchisee ceases or terminates, the covenant in this subparagraph (iii) will restrict me from being involved with a competing business only if the competing business is within a radius of 5 miles of the Franchised Restaurant or of any CHAPS PIT BEEF® restaurant or FAMOUS CHAPS PIT BEEF 1987™ restaurant open or under construction at the time my relationship ceases or terminates.

The provisions of this Section 7 will not, however, prohibit my operation of any franchise which the Company may grant to me or my ownership of less than a 5% beneficial interest of the outstanding equity securities of any publicly held entity. Full service restaurants where customers are served by wait staff and pay after eating are also exempt.

8. I agree that each of the covenants above will be construed as independent of the others and of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Licensor and/or the Company is a party, I expressly agree to be bound by any lesser covenant included within the terms of the covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

9. I understand and acknowledge that the Company will have the right to reduce the scope of any covenant set forth in this Agreement, or any portion of any covenant, without my consent, effective immediately upon receipt by me of written notice; and I agree to comply with any covenant as so modified.

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

11. This Agreement will be governed by the internal laws of the State of Maryland. This Agreement may only be changed in a writing signed by both me and Franchisee and consented to by the Company.

Signature: _____
[equity owner, employee, vendor, etc.]

Printed Name: _____

Address: _____

Title/Relationship to Franchisee: _____

Date: _____

ACKNOWLEDGED BY FRANCHISEE

FRANCHISEE:

_____ [entity name]
a _____ [state of formation and type of entity]

By: _____ [signature]

Printed Name: _____

Title: _____

Date: _____

EXHIBIT H

CHAPS PIT BEEF FRANCHISING LLC

TRANSFER AND RELEASE AGREEMENT

This **TRANSFER AND RELEASE AGREEMENT** (this "Agreement") is made and entered into as of _____, 20__ (the "Effective Date"), by and among CHAPS PIT BEEF FRANCHISING LLC, a Maryland limited liability company, with its principal place of business at 8 Patrick Way Kingsville, MD 21807 ("CHAPS"); _____, a _____ with its principal place of business at _____ ("Franchisee"), and _____ [and] _____ individual(s) holding an ownership interest in the Franchisee entity ("Franchisee Members"); and _____, a _____ with its principal place of business at _____ ("Transferee") and _____ [and] _____ individual(s) holding an ownership interest in the Transferee entity ("Transferee Members").

BACKGROUND:

A. A Franchise Agreement dated _____, 20__ (the "Franchise Agreement") was executed by and between CHAPS, on the one hand, and Franchisee Members, as franchisee on the other, for the operation of a franchised CHAPS PIT BEEF® or FAMOUS CHAPS PIT BEEF 1987™ restaurant to be located in _____, _____;

B. On or about _____, 20__, CHAPS, Franchisee Members and Franchisee, a _____ [corporation/limited liability company] owned and controlled by Franchisee Members, executed an Assignment and Assumption Agreement (the "Assignment"), under which Franchisee Members assigned all of their rights and obligations under the Franchise Agreement to Franchisee, and Franchisee assumed all of their rights and obligations under the Franchise Agreement. Under the Assignment, Franchisee Members expressly agreed that they remained liable under the Franchise Agreement for obligations that remained applicable to them, and agreed to be the unconditional guarantors of all of the obligations of Franchisee under the Franchise Agreement.

C. Franchisee operates a franchised CHAPS PIT BEEF® or FAMOUS CHAPS PIT BEEF 1987™ restaurant pursuant to the Franchise Agreement located at _____, _____, _____ (the "Franchised Restaurant");

WHEREAS, Franchisee desires to transfer to Transferee substantially all of the assets of the Franchised Restaurant and its rights under the Franchise Agreement, and Franchisee has requested that CHAPS consent to the transfer thereof to Transferee pursuant to Section 12 of the Franchise Agreement; this Agreement is executed and delivered simultaneously with, and as a condition of the closing of the sale of the assets of the Franchised Restaurant;

AGREEMENT:

NOW, THEREFORE, in consideration of the mutual covenants and conditions herein contained, and other good and valuable consideration, receipt of which is hereby acknowledged by each of the parties hereto, the parties agree as follows:

1. **Recitals Included in Agreement.** The parties incorporate into this Agreement the provisions set forth above under the Background section as if set forth in full.

2. **Consent.** CHAPS hereby consents to and waives its right of first refusal in connection

with, the sale of the Franchised Restaurant to Transferee and the transfer by Franchisee to Transferee Members of all of Franchisee's right, title and interest in and to the Franchise Agreement (the "Transaction"), subject to the terms of this Agreement. Transferee Members intend to transfer the right, title and interest in and to the Franchise Agreement to Transferee, an entity controlled by them, for convenience of ownership pursuant to Section 12 of the Franchise Agreement, pursuant to an Assignment and Assumption Agreement. Transferee will assume all of the rights and obligations under the Franchise Agreement and Transferee Members will expressly agree that they will remain liable under the Franchise Agreement for obligations that remain applicable to them, and agree to be the unconditional guarantors of all of the obligations of Transferee under the Franchise Agreement.

CHAPS's consent and waiver to the Transaction is subject to and made in reliance upon the following terms, conditions, representations and warranties, failure to comply constituting a default and rendering the transaction void:

A. Franchisee and Franchisee Members jointly and severally represent, warrant, covenant and agree that each of the following are true and correct as of its respective date of execution, and shall remain true through the Effective Date of this Agreement:

(1) Franchisee is the sole owner of and possesses good and marketable right, title and interest in and to the Franchise Agreement and the Franchised Restaurant; and no other person or entity owns or has any right, title or interest in and to the franchise, the Franchise Agreement and/or the Franchised Restaurant.

(2) Franchisee Members are the sole individual owners of Franchisee, and no other person or entity has an equity or beneficial ownership interest in Franchisee.

(3) The execution and delivery of this Agreement and the consummation of the Transaction do not conflict with or result in a breach of the terms and conditions of, accelerate any provision of, or constitute a default under, the certificate of formation or operating agreement of Franchisee, or any lease, contract, promissory note or agreement to which Franchisee or a Franchisee Member is a party or is bound.

B. Transferee and Transferee Members jointly and severally represent, warrant, covenant and agree that each of the following are true and correct as of its respective date of execution, and shall remain true through the Effective Date of this Agreement:

(1) Effective as of the Effective Date and the effectiveness of the transfer and assignment of assets from Franchisee to Transferee and of the Franchise Agreement from Franchisee to Transferee Members and further assignment of the Franchise Agreement from Transferee Members to Transferee, pursuant to this Agreement, Transferee will be the sole owner of and possess good and marketable right, title and interest in and to the franchise relating to the Franchised Restaurant, the Franchise Agreement and substantially all of the assets of the Franchised Restaurant; and no other person or entity will own or have any right, title or interest in and to the franchise, the Franchise Agreement and/or the Franchised Restaurant.

(2) Transferee Members are the sole individual owners of Transferee, and no other person or entity has an equity or beneficial ownership interest in Transferee.

(3) The execution and delivery of this Agreement and the consummation of the Transaction do not conflict with or result in a breach of the terms and conditions of, accelerate any provision of, or constitute a default under, the certificate of formation or operating agreement of Transferee, or any lease, contract, promissory note or agreement to which Transferee or a Transferee Member is a party or is bound.

(4) Transferee and Transferee Members have not received any representation, warranty or guarantee, express or implied, as to the potential volume, profits or success of the Franchised Restaurant from CHAPS or CHAPS's officers, directors, employees, agents or servants.

(5) Transferee and Transferee Members relied solely and exclusively on Transferee's and Transferee Members' own independent investigation of CHAP'S restaurant franchise system and of the Franchised Restaurant and the historical financial records of the Franchised Restaurant provided to Transferee by Franchisee; that based on the receipt of the actual historical performance of the Franchised Restaurant it would not be reasonable to rely on any financial performance representation contained in CHAPS's Franchise Disclosure Document, or any other financial performance representation, pro forma or projection that differed or diverged, in whole or in part, from the Franchised Restaurant's actual historical financial performance.

C. To the extent not already completed, Transferee and any required employees shall attend and complete, to the satisfaction of CHAPS, CHAPS's training program required of new franchisees, at the time directed by CHAPS.

D. Transferee represents, warrants, covenants and agrees that all information furnished or to be furnished to CHAPS by Transferee in connection with Transferee's request to receive a transfer and assignment of the Franchise Agreement is and will be, as of the date such information is furnished, true and correct in all material respects and will include all material facts necessary to make the information not misleading in light of the circumstances.

E. Franchisee and Transferee represent, warrant and agree that, subject to CHAPS's consent, Franchisee will sell and transfer, and Transferee will acquire, the assets of the Franchised Restaurant owned or transferable by Franchisee, and Transferee Members will acquire all of Franchisee's right, title and interest in and to the Franchise Agreement and all related and ancillary documents pursuant to a due and proper written assignment from Franchisee and assumption by Transferee Members at the Closing (as defined in Section 2.F. below), and that all legal actions necessary to effect the sale and transfer have been or will be accomplished prior to or at Closing.

F. Transferee and Transferee Members agree that pursuant to the Franchise Agreement, CHAPS requires that Transferee Members sign a new Franchise Agreement on CHAPS's current form as contained in CHAPS's current Franchise Disclosure Document, which will be dated currently, and which would supersede and replace the original Franchise Agreement, which will be terminated, provided that no initial franchise fee would be payable (but a transfer fee, any sales commission, initial training fee and other applicable amounts would be payable). Transferee and Transferee Members will also complete and deliver new ancillary documents to the Franchise Agreement.

H. Payment by Franchisee to CHAPS, in a manner satisfactory to CHAPS, of all accrued monetary obligations, including, but not limited to, all obligations pursuant to the Franchise Agreement, and any other agreements relating to the Franchised Restaurant or the Franchise Agreement between CHAPS and Franchisee.

I. The Transfer Fee for our costs, to be paid by Franchisee is as follows: \$2,500 to be paid at the time of Closing by certified bank funds. [In addition, a sales commission in the amount of 6% of the gross sales price, equal to \$_____, shall also be paid at the time of Closing by certified bank funds.]

J. The lessor/landlord of the Franchised Restaurant shall have consented, if required by the lease, to the assignment by Franchisee to Transferee of the lease for the Franchised Restaurant and CHAPS has no liability to landlord/lessor with respect to the lease or otherwise with respect to the premises.

3. **Liability of Franchisee and Franchisee Members.** Subject to Franchisee's payment of all remaining monies due and owing to CHAPS as of Closing, effective as of Closing, Franchisee shall be automatically discharged from any and all liability under the Franchise Agreement, *provided however*, that the transfer of the Franchise Agreement shall not affect any obligations of Franchisee and Franchisee Members which expressly or by their nature survive the transfer of the Franchise Agreement, all of which shall continue in full force and effect subsequent to and notwithstanding the transfer of the Franchise Agreement, including, without limitation, Franchise Agreement Section 4 (Marks), Section 5 (Trade Secrets; In-Term Covenant), Section 6 (Relationship of the Parties/Indemnification), Section 10 (Records and Reports), Section 15 (Rights and Obligations of the Franchisor and Franchisee Upon Termination, Expiration or Transfer of the Franchise), Section 16 (Enforcement, including governing law, dispute resolution, the agreement to arbitrate, **waiver of jury trial** and waiver of class arbitration and litigation and punitive damages), and Section 17 (Notice and Payment), which will continue to be in effect and enforceable against Franchisee and Franchisee Members in accordance with their terms, the same being confirmed by Franchisee's and Franchisee Members' execution of this Agreement. Franchisee and Franchisee Members shall continue to be bound by the post-transfer obligations and covenants contained in the Franchise Agreement and nothing in this Agreement shall be deemed to relieve Franchisee or any Franchisee Member of any of the post-transfer obligations under the Franchise Agreement or under any Franchisee Member's Confidentiality Agreement and Covenant Not to Compete and/or any Continuing Guaranty.

4. **No Security Interests in the Assets of Transferee.** The parties acknowledge and agree that Franchisee is not permitted to retain a security interest in the assets of the Franchised Restaurant or the franchise without CHAPS's prior consent.

5. **Release by Franchisee.** As required by the Franchise Agreement as a condition to approval of a transfer, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and as an inducement to CHAPS to enter into this Agreement, but subject to the exceptions set forth below in this Section 5, [FRANCHISEE NAME AND FRANCHISEE MEMBERS NAMES], for itself, himself, [herself], and all persons, corporations, partnerships and any other entities or concerns claiming by, through or under any of them hereby, effective as of the Effective Date, remise, release and forever discharge CHAPS, its affiliates, successors and assigns, as well as the shareholders, members, principals, officers, directors, employees, attorneys, agents, heirs and executors of CHAPS, its affiliates, successors and assigns (collectively, the "CHAPS Released Parties"), of and from any and all debts, demands, losses, actions, causes of action, suits, accounts, covenants, contracts, warranties, agreements, damages and any and all claims, demands and liabilities whatsoever, known or unknown, of every name and nature, both in law and in equity, including without limitation causes of action arising out of alleged conspiracy, violations of any contract, express or implied, any covenant of good faith and fair dealing, *quantum meruit*, or any federal, state or municipal statute, regulation or ordinance, that [FRANCHISEE NAME AND FRANCHISEE MEMBERS NAMES], by itself, himself, [or herself,] on behalf of or in conjunction with any other person, persons, partnership, corporation or other entity, may now have or ever had against the CHAPS Released Parties from the beginning of the world until the date of this Agreement arising from, under or out of the Franchise Agreement or relating to the Franchised Restaurant, or any other act or occurrence of any kind whatsoever, it being the intent of [FRANCHISEE NAME AND FRANCHISEE MEMBERS NAMES], jointly or severally, to grant in favor of the CHAPS Released Parties hereby a general release of any and all known or unknown claims, causes of action and obligations [FRANCHISEE NAME AND FRANCHISEE MEMBERS NAMES], by itself, himself, [or herself,] on behalf of or in conjunction with any other person, persons, partnership, corporation or other entity, had, has or might have against CHAPS and any other CHAPS Released Party. Specifically excepted from [FRANCHISEE NAME's AND FRANCHISEE MEMBERS NAMES's] release of the CHAPS Released Parties are any and all claims, causes of action, obligations and liability arising from, under or out of this Agreement. [FRANCHISEE NAME AND FRANCHISEE MEMBERS NAMES], jointly or severally, further waive any right they may have under any common or statutory law of the State of Maryland (and other similar statutes and regulations), if any, which states that a general release does not extend to claims which the creditor does not know or suspect to exist in its or his favor at the

time of executing the release, which if known by it or him must have materially affected its or his settlement with the counter-party/debtor. [FRANCHISEE NAME AND FRANCHISEE MEMBERS NAMES], jointly or severally, covenant not to sue or initiate an arbitration proceeding against any of the CHAPS Released Parties identified above regarding any of the claims being released under this Agreement. The parties intend for the CHAPS Released Parties identified above that are not parties to this Agreement to be third-party beneficiaries of the release provided for by this paragraph. **SUBJECT TO THE STATED EXCEPTIONS, THIS RELEASE IS A GENERAL RELEASE AND THE PARTIES INTEND AND AGREE THAT IT SHALL BE INTERPRETED, CONSTRUED AND ENFORCED AS SUCH.** This provision will survive indefinitely the expiration or termination, for any reason, of this Agreement.

6. **Indemnification by Franchisee.** Franchisee and Franchisee Members, jointly and severally, agree to and shall protect, defend, indemnify and hold the CHAPS Released Parties harmless from and against all claims, actions, proceedings, damages, costs, expenses and other losses and liabilities, consequently, directly or indirectly incurred by any or all of them (including, without limitation, attorneys' and accountants' fees) as a result of, arising out of, or connected with Franchisee and/or Franchisee Members breaching any of its or his or her representations, warranties, covenants and obligations under this Agreement. This provision will survive indefinitely the expiration or termination, for any reason, of this Agreement.

7. **Non-Participation.** Franchisee, Franchisee Members, Transferee and Transferee Members, jointly and severally, acknowledge and agree that, except for the preparation and execution of this Agreement, CHAPS has not participated in the transaction between them and, therefore, has no knowledge of, and does not attest to, the accuracy of any representations or warranties made by or between Franchisee and Transferee in connection with this transfer. CHAPS assumes no obligations in that regard. Transferee acknowledges and agrees that the sale of the Franchised Restaurant and the transfer of the Franchise Agreement by Franchisee to Transferee is for Franchisee's own account, is not effected by or through CHAPS, and is not effected with significant involvement by CHAPS in the transaction.

8. **Insurance.** Prior to Closing, Transferee must provide CHAPS with a Certificate of Insurance for the insurance coverages specified in the Franchise Agreement, which policy(ies) must name CHAPS as an additional insured (except for Workers' Compensation coverage).

9. **Changed Circumstances.** All parties understand and acknowledge that CHAPS may, in the future, approve offerings and transfers under different terms, conditions and policies. CHAPS's consent and waiver in this instance shall not be relied upon in future transactions as indicative of CHAPS's position or the conditions which might be attached to future consents or waivers of its right of first refusal.

10. **Singular Consent.** Franchisee and Transferee acknowledge and agree that CHAPS's execution of this Agreement, is not intended to provide, and shall not be construed as providing, CHAPS's consent with regard to a transfer of any right or interest under any other agreement not specifically identified in this Agreement. Such consent must be separately obtained.

11. **Validity.** If any material provision or restriction contained herein shall be declared void or unenforceable under applicable law, the parties agree that such provision or restriction will be stricken, and this Agreement will continue in full force and effect. Notwithstanding this Paragraph, however, the parties agree that, to the extent CHAPS suffers harm as a consequence of the striking of such provision or restriction, the other parties to this Agreement shall exercise best efforts to make CHAPS whole.

12. **Indemnification.** Franchisee and Franchisee Members, jointly and severally, agree to indemnify, defend and hold harmless CHAPS and the other CHAPS Released Parties from and against any claims, losses, liabilities, costs or damages incurred by the CHAPS Released Parties as a result of or

in connection with the operation of the Franchised Restaurant by Franchisee, or any other actions by Franchisee or any persons for whom or which Franchisee is legally responsible. Without limiting the generality of the foregoing, Franchisee and Franchisee Members, joined by Transferee and Transferee Members, agree to indemnify, defend and hold harmless CHAPS and the other CHAPS Released Parties from and against any claims, losses, liabilities or damages arising out of the transfer and assignment from Franchisee to Transferee or any dispute between Franchisee and Transferee.

13. **Counterparts; Facsimiles.** All parties acknowledge and agree that this Agreement may be executed in counterparts and at various times and at various places by the several parties hereto, all of which counterparts taken together shall be deemed as one original. Executed facsimile copies of this Agreement shall be deemed to be as effective as original signatures.

14. **Miscellaneous.** The parties hereto agree that this Agreement constitutes, as of the Effective Date, upon the execution of this Agreement by all of the parties and after it has been accepted and executed by CHAPS, the complete understanding between the parties regarding the subject matter hereof, and no representation, agreement, warranties, or statement, oral or in writing, not contained herein, shall be of any force and effect against any party, and this Agreement shall not be modified, altered or amended except in writing signed by all parties. The waiver by any party of any breach or violation of any provision of this Agreement will not operate or be construed as a waiver of any other or subsequent breach or violation hereof. This Agreement will be binding upon the parties, and their respective heirs, executors, successors and assigns. This Agreement will be governed by the laws of the State of Maryland without application of the principles of conflicts of law. This Agreement shall be governed by the Enforcement provisions in Section 16 of the Franchise Agreement, including the agreement to arbitrate and **the waiver of rights to a jury trial.**

15. **Agreement Survives Closing.** All agreements, representations, warranties, terms and conditions set forth in this Agreement shall survive the execution and delivery of this Agreement, the Closing, and the consummation of the transactions provided for herein.

16. **Review of Agreement and Representation.** Franchisee, Franchisee Members, Transferee and Transferee Members, each represents and acknowledges that it/he/she has received, read and understood this Agreement, including its exhibits; and that CHAPS has fully and adequately explained the provisions to each of their satisfaction; and that CHAPS has afforded each of them ample time and opportunity to consult with advisors of their own choosing about the potential benefits and risks of entering into this Agreement.

I HAVE READ THE ABOVE AGREEMENT WHICH INCLUDES A RELEASE, AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS AGREEMENT, INCLUDING THE RELEASE, IF I DID NOT UNDERSTAND IT AND AGREE TO BE BOUND BY ITS TERMS.

(Signature Pages Follow)

IN WITNESS WHEREOF, this Agreement has been duly signed by the parties hereto under seal as indicated and shall be effective as of the date first written above.

FRANCHISOR:

CHAPS PIT BEEF FRANCHISING LLC

A Maryland limited liability company

By: _____

Name: _____

Its: _____

FRANCHISEE:

Franchisee Members

By: _____

Name: _____

Its: _____

TRANSFeree:

Transferee Members

By: _____

Name: _____

Its: _____

EXHIBIT I

CHAPS PIT BEEF FRANCHISING LLC

CONTINUING GUARANTY

For value received, the undersigned do hereby jointly and severally (if more than one undersigned) and unconditionally guaranty unto CHAPS PIT BEEF FRANCHISING LLC, a Maryland limited liability company, and its successors and assigns (the "Franchisor") the full payment and performance of _____

_____, a(n) _____ (the "Franchisee") under the terms and covenants of that certain Franchise Agreement between Franchisor and Franchisee, dated _____, 20____ (the "Franchise Agreement") including, without limitation, interest and all other sums due thereunder and attorneys' fees and costs incurred in the enforcement of the Franchise Agreement or this Continuing Guaranty. Furthermore, the undersigned hereby expressly confirm and agree that the following sections of the Franchise Agreement, and any successor or replacement provisions however numbered, shall be applicable to the undersigned as if fully rewritten in this Continuing Guaranty and the undersigned shall be bound thereby and comply therewith: Section 4 (Marks), Section 5 (Trade Secrets; In-Term Covenant), Section 6 (Relationship of the Parties/Indemnification), Section 8.4(iii) (Patriot Act Compliance), Section 10 (Records and Reports), Section 12 (Assignment/Transfer or Other Disposition of the Business), Section 15 (Rights and Obligations of the Franchisor and Franchisee Upon Termination, Expiration or Transfer of the Franchise), Section 16 (Enforcement, including governing law, dispute resolution, the agreement to arbitrate, **waiver of jury trial** and waiver of class arbitration and litigation and punitive damages), Section 17 (Notice and Payment), Section 18 (Acknowledgments) and the general provisions.

____ [Check if applicable] For value received, the undersigned do hereby jointly and severally (if more than one undersigned) and unconditionally guaranty unto CHAPS PIT BEEF FRANCHISING LLC, a Maryland limited liability company, and its successors and assigns (the "Franchisor") the full payment and performance of _____

_____, a(n) _____ (the "Franchisee") under the terms and covenants of that certain Multi-Unit Development Agreement between Franchisor and Franchisee as the Developer, dated _____, 20____ (the "Multi-Unit Agreement") including, without limitation, interest and all other sums due thereunder and attorneys' fees and costs incurred in the enforcement of the Multi-Unit Agreement or this Continuing Guaranty. Furthermore, the undersigned hereby expressly confirm and agree that the following sections of the Multi-Unit Agreement, and any successor or replacement provisions however numbered, shall be applicable to the undersigned as if fully rewritten in this Continuing Guaranty and the undersigned shall be bound thereby and comply therewith: Section I (Definitions), Section VII. (Confidential Brand Standards Manual); Section VIII. (Use of Marks), Section X (Post Termination Obligations of Developer), Section XI. (Assignment by Developer or Franchisor), Section XII. (Restrictive Covenants), Section XIII. (Independent Contractor and Indemnification), Section XV. (Enforcement, including governing law, dispute resolution, the agreement to arbitrate, **waiver of jury trial** and waiver of class arbitration and litigation and punitive damages), Section XVI. (Notices), Section XVII. (Acknowledgments) and the general provisions.

The obligations of the undersigned pursuant to this Continuing Guaranty are joint and several, primary, and independent of the obligation of Franchisee. This Continuing Guaranty is a guarantee of payment and performance and not of collection, and a separate action or actions may be brought and prosecuted against the undersigned regardless of whether an action is brought against Franchisee or whether Franchisee is joined in any such action or actions. This is a Continuing Guaranty relating to the Franchise Agreement and if applicable, the Multi-Unit Agreement, including indebtedness arising under successive transactions that continue pursuant to the Franchise Agreement and if applicable, the Multi-Unit Agreement, or from time to time renew or extend it. The undersigned authorizes Franchisor without

notice or demand and without affecting their liability hereunder from time to time to: (a) change the amount of or the time for payment or any of the other terms and covenants of the Franchise Agreement and if applicable, the Multi-Unit Agreement; (b) take and hold security for the payment of this Continuing Guaranty, and to renew, compromise, exchange, transfer, enforce, waive and release any such security; (c) apply such security and direct the order or manner of sale thereof as Franchisor in its sole business judgment may determine; (d) release or substitute any one or more of the undersigned guarantors; (e) bid and purchase at any sale of security for this Continuing Guaranty; (f) assign or transfer all or any part of its interest in the Franchise Agreement and if applicable, the Multi-Unit Agreement; and (g) assign this Continuing Guaranty in whole or in part. The undersigned waive any right to require Franchisor to proceed against Franchisee, or proceed against or exhaust security for indebtedness evidenced hereby, or pursue any other remedy in Franchisor's power whatsoever. Each of the undersigned, if constituting married persons, expressly agrees that recourse may be made against their marital community and their separate property and in such order and manner as Franchisor may elect. The undersigned waive any defense arising by reason of any disability of defense of Franchisee or by reason of the cessation from any cause whatsoever of the liability of Franchisee. The undersigned waive all presentments, demands or performance, notice of nonperformance, protest, notice of protest, notices of dishonor and notices of acceptance of this Continuing Guaranty and of the existence, creation or incurring of new or additional obligations. Until all obligations of Franchisee under the Franchise Agreement and if applicable, the Multi-Unit Agreement, have been paid and satisfied in full, the undersigned shall have no right of subrogation and waive any right to enforce any remedy which Franchisor now has or hereafter may have against Franchisee, and further waive any benefit of, and any right to participate in any security now or hereafter held by Franchisor. This Continuing Guaranty shall bind the undersigned's heirs, administrators, personal representatives, successors and assigns, and shall inure to the benefit of Franchisor and its successors and assigns including, without limitation, any party to whom Franchisor may assign any interest in the Franchise Agreement and if applicable, the Multi-Unit Agreement, and the undersigned hereby waive notice of any such assignment. All of Franchisor's rights are cumulative and not alternative. This Continuing Guaranty shall be governed by, construed, and enforced under Maryland law.

The undersigned agrees to pay all expenses paid or incurred by Franchisor in enforcing the foregoing Agreement and this Continuing Guaranty against Franchisee and against the undersigned and in collecting or attempting to collect any amounts due thereunder and hereunder, including reasonable attorneys' fees if such enforcement or collection is by or through an attorney-at-law.

Executed on the dates stated below.

Date _____

Signature

Typed or Printed Name

Date _____

Signature

Typed or Printed Name

STATE OF _____)
County of _____) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 20____,
by _____.

My Commission Expires:

Notary Public

STATE OF _____)
) ss.
County of _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20____,
by _____.

My Commission Expires:

Notary Public

EXHIBIT J

CHAPS PIT BEEF FRANCHISING LLC

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1602 – Required Vendors.....	1/4
1603 – Recommended Vendors	1/4
1700 – Chap’s Pit Beef	
1701 – Distributors	1/4
1702 – Promo Teams.....	1/4
1703 – Locations	1/4
1800 – Preventative Maintenance	
1801 – Pest Control	1/4
1802 – Inspections	1/2
1803 – Cleaning.....	1
1804 – Trash Pick-Up.....	1/4
1900 – Chaps Bar Manual & Training Guide.....	25 1/2
TOTAL PAGES	304

EXHIBIT K

CHAPS PIT BEEF FRANCHISING LLC

**ROSTER OF FRANCHISEES
AS OF DECEMBER 31, 2021**

LIST OF OPERATIONAL FRANCHISEES

City, State, Zip Code	Franchisee	Business Address	Bus. Tele.
DELAWARE			
Rehoboth Beach 19971	Desch Brothers Rehoboth LLC Gary M. Desch Christopher Desch	19819 Coastal Highway/ Holland Glad Road	302-727-5284
MARYLAND			
Frederick 21703	Wellington Enterprises, LLC Maurice B. VerStandig Joshua D. VerStandig	4969 Westview Drive	301-682-2124
Glen Burnie 21061	*CPB 1 LLC Marie A. Anoriscat-Hall	6714 Governor Richie Highway Suite G	410-553-4491
PENNSYLVANIA			
Media 19063	Stand Up Triple Enterprises Inc. Paul D. Hagen	1083 W Baltimore Pike	484-445-3100

* Area Developers will be identified by an asterisk.

FRANCHISE AGREEMENT SIGNED BUT RESTAURANT NOT YET OPEN

City, State, Zip Code	Franchisee	Business Address	Bus. Tele.
NONE*			

* Area Developers will be identified by an asterisk.

EXHIBIT L

CHAPS PIT BEEF FRANCHISING LLC

LIST OF FORMER FRANCHISEES

Below is the name, city and state, and business telephone number (or, if unknown, the last known home telephone number or email address) of every operating franchisee, and then every franchisee who signed a Franchise Agreement but did not commence operations, who had an outlet terminated, cancelled, not renewed, transferred or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year, or who have not communicated with us within 10 weeks of the issuance date of this disclosure document. Finally, below is the name, city and state, and business telephone number (or, if unknown, the last known home telephone number or email address) of every developer who signed a Multi-Unit Development Agreement but did not sign any Franchise Agreements, who had the developer's Multi-Unit Development Agreement terminated, cancelled, not renewed, transferred or otherwise voluntarily or involuntarily ceased to do business under a Multi-Unit Development Agreement during the most recently completed fiscal year, or who have not communicated with us within 10 weeks of the issuance date of this disclosure document.

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

Operating Franchisees

NONE*

* Area Developers will be identified by an asterisk.

Franchisees That Did Not Commence Operations

NONE*

* Area Developers will be identified by an asterisk.

EXHIBIT M
CHAPS PIT BEEF FRANCHISING LLC
FINANCIAL STATEMENTS

AUDITED FINANCIAL STATEMENTS

For the Fiscal Years Ended December 31, 2021, 2020 and 2019

CHAPS PIT BEEF FRANCHISING LLC

FINANCIAL STATEMENTS

**For the years ended
December 31, 2021 and 2020**

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CERTIFIED PUBLIC
ACCOUNTANTS

25 West Courtland Street • Suite 103

Bel Air, Maryland 21014

INDEPENDENT AUDITOR'S REPORT

To the Members of
Chaps Pit Beef Franchising LLC

Opinion

We have audited the accompanying financial statements of Chaps Pit Beef Franchising LLC (a Maryland Limited Liability Company), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income 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 Chaps Pit Beef Franchising LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Chaps Pit Beef Franchising LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Chaps Pit Beef Franchising LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 Chaps Pit Beef Franchising LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chaps Pit Beef Franchising LLC's ability to continue as a going concern for a reasonable period of time.

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

Bel Air, Maryland
March 18, 2022

CHAPS PIT BEEF FRANCHISING LLC
BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash - checking	\$ 11,158	\$ 37,147
Accounts receivable	11,788	2,041
Due from related party	<u>36,773</u>	<u>29,170</u>
Total current assets	<u>59,719</u>	<u>68,358</u>
Other Assets		
Organizational costs	5,968	5,968
Accumulated amortization	<u>(5,968)</u>	<u>(4,774)</u>
Net other assets	<u>-</u>	<u>1,194</u>
Total Assets	<u><u>\$ 59,719</u></u>	<u><u>\$ 69,552</u></u>
 Liabilities and Members' Equity		
Liabilities		
Current liabilities		
Credit card payable	\$ 2,783	\$ 11,383
Deferred franchise fees-current	2,500	2,500
Deferred advertising income	34,889	30,532
Loan from member	3,965	-
Due to related party	<u>237,936</u>	<u>237,936</u>
Total current liabilities	<u>282,073</u>	<u>282,351</u>
Long-term liabilities		
Deferred franchise fees	<u>17,708</u>	<u>20,208</u>
Total long-term liabilities	<u>17,708</u>	<u>20,208</u>
Total liabilities	<u>299,781</u>	<u>302,559</u>
Members' equity	<u>(240,062)</u>	<u>(233,007)</u>
Total Liabilities and Members' Equity	<u><u>\$ 59,719</u></u>	<u><u>\$ 69,552</u></u>

The accompanying notes are an integral part of these financial statements

CHAPS PIT BEEF FRANCHISING LLC
STATEMENTS OF INCOME AND MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Revenue:		
Advertising fund income	\$ 100,100	\$ 51,396
Franchise fee	2,500	2,292
Royalty fee income	221,084	151,720
Rebate income	85,428	62,490
Other income	1,000	256
Total Revenue	<u>410,112</u>	<u>268,154</u>
Expenses:		
Advertising and marketing	100,100	51,396
Amortization expense	1,193	1,194
Automobile expense	9,863	5,287
Consultants	3,430	2,325
Donations	-	1,000
Dues and subscriptions	2,024	2,386
Leased labor	227,661	204,524
Management fees	31,140	56,248
Merchandise and menus	-	6,129
Office expense	3,091	3,519
Professional fees	29,385	34,437
Renewal fees	595	500
Repairs and maintenance	1,079	2,634
Tax - other	300	340
Travel	2,732	3,558
Uniforms	1,574	1,330
Total Expenses	<u>414,167</u>	<u>376,807</u>
Net Income (Loss)	(4,055)	(108,653)
Members' Equity at beginning of period	(233,007)	(79,354)
Contributions/(Distributions) from/(to) Members	<u>(3,000)</u>	<u>(45,000)</u>
Members' Equity at end of period	<u>\$ (240,062)</u>	<u>\$ (233,007)</u>

The accompanying notes are an integral part of these financial statements

CHAPS PIT BEEF FRANCHISING LLC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Net income (loss)	\$ (4,055)	\$ (108,653)
Adjustments to reconcile net income to net cash provided by operations:		
Amortization	1,193	1,194
(Increase) / decrease in current assets and liabilities		
Accounts receivable	(9,746)	8,578
Due from related party	(7,603)	-
Credit card payable	(8,600)	10,692
Deferred franchise fees-current	-	2,500
Deferred advertising income	4,357	11,006
Due to related party	-	111,400
Net cash provided (used) by operating activities	<u>(24,454)</u>	<u>36,717</u>
FINANCING ACTIVITIES		
Deferred franchise fees	(2,500)	20,208
Loan from member	3,965	-
Distributions to members	<u>(3,000)</u>	<u>(45,000)</u>
Net cash provided (used) by financing activities	<u>(1,535)</u>	<u>(24,792)</u>
Net cash increase for period	(25,989)	11,925
Cash at beginning of period	<u>37,147</u>	<u>25,222</u>
Cash at end of period	<u>\$ 11,158</u>	<u>\$ 37,147</u>
Supplemental Information:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

CHAPS PIT BEEF FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Chaps Pit Beef Franchising LLC (the “Company”) was formed on January 13, 2017, as a Maryland Limited Liability Company. The Company sell or grants franchises to operate fast food casual restaurants under licenses agreements. The Company sold no franchises during the year ended December 31, 2021 and one franchise during the year ended December 31, 2020.

The members of a limited liability company are not liable for the debts, obligations, or other liabilities of the company, whether arising in contract, tort or otherwise, unless a member has signed a specific guarantee.

Basis of Presentation

The financial statements are prepared on the accrual basis of accounting

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures. Accordingly, the actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

Revenue and Cost Recognition

Under the terms of the Company’s franchise agreement during the years ended December 31, 2021 and 2020, the Company charges an initial franchise fee of \$30,000. The Company charges a reduced initial franchise fee of \$20,000 for the second and all additional franchises a franchisee agrees to develop under a multi-unit development agreement.

The FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) concerning the amount and timing of revenue recognition for initial franchise fees. Under Update 2014-09, the franchisor is required to determine whether the pre-opening activities contain any separate performance obligations and to analyze the standalone selling prices for those performance obligations to determine the timing and amount of revenue recognition. If the activities represent promised goods or services and if the goods or services and the franchise license are determined to be distinct from each other and, therefore, are separate performance obligations, entities are then required to analyze each performance obligation to determine the standalone selling prices, allocation of the transaction price, and timing of revenue recognition. The guidance allows for transition to these new standards for annual reporting periods beginning after December 15, 2019. As of January 1, 2020, the Company has adopted the revenue recognition standards under FASB Update 2014-09.

CHAPS PIT BEEF FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Revenue and Cost Recognition (Continued)

Under Accounting Standards Update (ASU) 2021-02, pre-opening services that are consistent with those included in a predefined list within the guidance may be accounted for as distinct from the franchise license. The pre-defined list includes assistance in the selection of a site, assistance in preparing facilities for their intended use, training personnel, bookkeeping, quality control programs, and certain other services. For the initial franchise fee agreement during the year ended December 31, 2020, there were no separate performance obligations distinct from the franchise license.

In addition, a royalty fee of 6% of the franchisee reported gross sales are to be recognized as revenue. For the years ended December 31, 2021 and 2020, the Company reflected royalty fee income of \$221,084 and \$151,720, respectively. Income from advertising, spice, and rebates are recognized as the services are rendered.

Income Taxes

The Company, with the consent of its members, has elected under the Internal Revenue Code to be taxed as a Partnership (Form 1065). In lieu of being subject to a corporate income tax, the members of the Partnership are taxed on their proportionate share of the company's taxable income. Therefore, no provision, liability, or disclosure of net operating loss carryforwards, or federal and state income taxes has been included in the financial statements.

Management has evaluated the income tax positions taken or expected to be taken, if any, on income tax returns filed and the likelihood that, upon examination by relevant jurisdictions, those income tax positions would be sustained. Based on the results of this evaluation management determined there are no positions that necessitated disclosures and/or adjustments.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Amortization

Organization costs are being amortized using the straight-line method over five years. Amortization expense for the years ended December 31, 2021 and 2020 was \$1,193 and \$1,194, respectively.

CHAPS PIT BEEF FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Account receivables represent the amounts owed to the Company by various franchisees and as of December 31, 2021 and 2020, the amounts owed were \$11,788 and \$2,041, respectively. At December 31, 2021 and 2020, the allowance for doubtful accounts was \$0 and \$0, respectively, as management has deemed all receivables 100% collectible.

ADVERTISING FUND AND DEFERRED INCOME

The Company collects advertising fund fees to be placed into the advertising fund which is 1% of franchisees gross sales depending on the region and other certain criteria in accordance with the signed franchise agreement. Advertising funds collected are to be expended for the benefit of the franchisees and for administrative costs to administer the funds. These expenditures are all at the discretion of the Company.

For the year ended December 31, 2021, the Company collected \$106,457 for advertising and marketing revenue and incurred \$100,100 of advertising and marketing expenses. The difference of \$4,357 increased the deferred advertising income liability to \$34,889 as of December 31, 2021. For the year ended December 31, 2020, the Company collected \$62,402 for advertising and marketing revenue and incurred \$51,396 of advertising and marketing expenses. The difference of \$11,006 increased the deferred advertising income liability to \$30,532 as of December 31, 2020.

For the year ended December 31, 2021, the Company reported \$100,100 of advertising fund income and \$100,100 of advertising and marketing expenses. For the year ended December 31, 2020, the Company reported \$51,396 of advertising fund income and \$51,396 of advertising and marketing expenses.

FRANCHISEES

During the years ended December 31, 2021 and 2020, the Company entered into no franchise agreements during 2021 and one franchise agreement during 2020. Under the terms of the Company's franchise agreements, the Company received franchise fees totaling \$0 in 2021 and \$25,000 in 2020, which are reflected in the current financial statements. The franchise fees of \$25,000 received during the year ended December 31, 2020 must be recognized over the 120-month term of the franchise agreement. For the years ended December 31, 2021 and 2020, franchise fee revenue was \$2,500 and \$2,292, respectively. Deferred franchise fees as of December 31, 2021 and 2020 were \$20,208 and \$22,708, respectively.

CHAPS PIT BEEF FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

MANAGEMENT FEE EXPENSES

During 2020, the Company entered into a management agreement with MBB Management, LLC (the "Management Company"). The Management Company is not a related party. The Management Company will be responsible for the day-to-day management of the current franchisees and assist the Company with future franchisees, such as research and marketing activities. For the years ended December 31, 2021 and 2020, the Company incurred management fees of \$31,140 and \$56,248, respectively.

LEASED LABOR

Beginning during the year ended December 31, 2020, the Company's office personnel are paid by RCDC, LLC (a related party). RCDC, LLC is responsible for all payroll and insurance reporting requirements. For the years ended December 31, 2021 and 2020, the leased labor expense was \$227,661 and \$204,524, respectively.

DUE FROM RELATED PARTY

At December 31, 2021 and 2020, the Company was owed from Chaps Pit Beef, Inc. (a related party) \$36,773 and \$29,170, respectively. As of report date, the asset balance of \$36,773 remains uncollected.

DUE TO RELATED PARTY

At December 31, 2021 and 2020, the Company owed RCDC, LLC (a related party) \$237,936 and \$237,936, respectively, for allocated operating expenses. As of report date, the liability balance of \$237,936 remains open.

COMPILANCE FILINGS

The State of Maryland is a franchise registration state. Prior to offering or selling a franchise in Maryland, the Company must register with the Securities Division of the Maryland Attorney General's Office. The Company has met compliance registration requirements during 2021 and 2020.

SUBSEQUENT EVENTS

Subsequent events were evaluated through March 18, 2022, which is the date the financial statements were available to be issued. The COVID-19 outbreak is disrupting supply chains and affecting employment, production, and sales across a range of industries. The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the ability of the franchisees to make timely payments, and the ability of vendors to perform all contracted functions, all of which

CHAPS PIT BEEF FRANCHISING LLC

FINANCIAL STATEMENTS

**For the years ended
December 31, 2020 and 2019**

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CERTIFIED PUBLIC
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

25 West Courtland Street • Suite 103
Bel Air, Maryland 21014

To the Members of
Chaps Pit Beef Franchising LLC

Opinion

We have audited the accompanying financial statements of Chaps Pit Beef Franchising LLC (a Maryland Limited Liability Company), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income 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 Chaps Pit Beef Franchising LLC as of December 31, 2020 and 2019, 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 Chaps Pit Beef Franchising LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Chaps Pit Beef Franchising LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 Chaps Pit Beef Franchising LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chaps Pit Beef Franchising LLC's ability to continue as a going concern for a reasonable period of time.

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

A handwritten signature in black ink, appearing to read "L. J. [unclear] CPA", is written over a horizontal line.

Bel Air, Maryland
March 18, 2021

CHAPS PIT BEEF FRANCHISING LLC
BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash - checking	\$ 37,147	\$ 25,222
Accounts receivable	2,041	10,620
Due from related party	29,170	29,170
Total current assets	<u>68,358</u>	<u>65,012</u>
Other Assets		
Organizational costs	5,968	5,968
Accumulated amortization	(4,774)	(3,581)
Net other assets	<u>1,194</u>	<u>2,387</u>
Total Assets	<u><u>\$ 69,552</u></u>	<u><u>\$ 67,399</u></u>
 Liabilities and Members' Equity		
Liabilities		
Current liabilities		
Credit card payable	\$ 11,383	\$ 691
Deferred franchise fees-current	2,500	-
Deferred advertising income	30,532	19,526
Due to related party	237,936	126,536
Total current liabilities	<u>282,351</u>	<u>146,753</u>
Long-term liabilities		
Deferred franchise fees	20,208	-
Total long-term liabilities	<u>20,208</u>	<u>-</u>
Total liabilities	<u>302,559</u>	<u>146,753</u>
Members' equity	<u>(233,007)</u>	<u>(79,354)</u>
Total Liabilities and Members' Equity	<u><u>\$ 69,552</u></u>	<u><u>\$ 67,399</u></u>

The accompanying notes are an integral part of these financial statements

CHAPS PIT BEEF FRANCHISING LLC
STATEMENTS OF INCOME AND MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Revenue:		
Advertising fund income	\$ 51,396	\$ 54,857
Franchise fee	2,292	50,000
Royalty fee income	151,720	133,663
Spice income	256	15,993
Rebate income	62,490	23,749
Total Revenue	<u>268,154</u>	<u>278,262</u>
Expenses:		
Advertising and marketing	51,396	54,857
Amortization expense	1,194	1,194
Automobile expense	5,287	3,696
Consultants	2,325	1,750
Donations	1,000	1,500
Dues and subscriptions	2,386	2,205
Leased labor	204,524	126,536
Management fees	56,248	92,459
Meals and entertainment	-	7,482
Merchandise and menus	6,129	14,953
Office expense	3,519	4,666
Professional fees	34,437	16,382
Renewal fees	500	500
Repairs and maintenance	2,634	6,239
Tax - other	340	300
Travel	3,558	7,095
Uniforms	1,330	3,497
Total Expenses	<u>376,807</u>	<u>345,311</u>
Net Income (Loss)	(108,653)	(67,049)
Members' Equity at beginning of period	(79,354)	6,240
Contributions/(Distributions) from/(to) Members	<u>(45,000)</u>	<u>(18,545)</u>
Members' Equity at end of period	<u><u>\$ (233,007)</u></u>	<u><u>\$ (79,354)</u></u>

The accompanying notes are an integral part of these financial statements

CHAPS PIT BEEF FRANCHISING LLC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES		
Net income (loss)	\$ (108,653)	\$ (67,049)
Adjustments to reconcile net income to net cash provided by operations:		
Amortization	1,194	1,194
(Increase) / decrease in current assets and liabilities		
Accounts receivable	8,578	(10,620)
Due from related party	-	(17,109)
Credit card payable	10,692	691
Deferred franchise fees-current	2,500	-
Deferred advertising income	11,006	7,465
Due to related party	111,400	126,536
Net cash provided (used) by operating activities	<u>36,717</u>	<u>41,108</u>
FINANCING ACTIVITIES		
Deferred franchise fees	20,208	-
Distributions to members	<u>(45,000)</u>	<u>(18,545)</u>
Net cash provided (used) by financing activities	<u>(24,792)</u>	<u>(18,545)</u>
 Net cash increase for period	 11,925	 22,563
Cash at beginning of period	<u>25,222</u>	<u>2,659</u>
Cash at end of period	<u>\$ 37,147</u>	<u>\$ 25,222</u>
 Supplemental Information:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

CHAPS PIT BEEF FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Chaps Pit Beef Franchising LLC (the "Company") was formed on January 13, 2017, as a Maryland Limited Liability Company. The Company sell or grants franchises to operate fast food casual restaurants under licenses agreements. The Company sold one franchise during the year ended December 31, 2020 and two franchises during the year ended December 31, 2019.

The members of a limited liability company are not liable for the debts, obligations, or other liabilities of the company, whether arising in contract, tort or otherwise, unless a member has signed a specific guarantee.

Basis of Presentation

The financial statements are prepared on the accrual basis of accounting

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures. Accordingly, the actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

Revenue and Cost Recognition

Under the terms of the Company's franchise agreement during the years ended December 31, 2020 and 2019, the Company charges an initial franchise fee of \$25,000. The Company charges a reduced initial franchise fee of \$17,500 for the second and all additional franchises a franchisee agrees to develop under a multi-unit development agreement.

The FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) concerning the amount and timing of revenue recognition for initial franchise fees. Under Update 2014-09, the franchisor is required to determine whether the pre-opening activities contain any separate performance obligations and to analyze the standalone selling prices for those performance obligations to determine the timing and amount of revenue recognition. If the activities represent promised goods or services and if the goods or services and the franchise license are determined to be distinct from each other and, therefore, are separate performance obligations, entities are then required to analyze each performance obligation to determine the standalone selling prices, allocation of the transaction price, and timing of revenue recognition. The guidance allows for transition to these new standards for annual reporting periods beginning after December 15, 2019. As of January 1, 2020, the Company has adopted the revenue recognition standards under FASB Update 2014-09.

CHAPS PIT BEEF FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Revenue and Cost Recognition (Continued)

Under Accounting Standards Update (ASU) 2021-02, pre-opening services that are consistent with those included in a predefined list within the guidance may be accounted for as distinct from the franchise license. The pre-defined list includes assistance in the selection of a site, assistance in preparing facilities for their intended use, training personnel, bookkeeping, quality control programs, and certain other services. For the initial franchise fee agreement during the year ended December 31, 2020, there were no separate performance obligations distinct from the franchise license.

In addition, a royalty fee of 6% of the franchisee reported gross sales are to be recognized as revenue. For the years ended December 31, 2020 and 2019, the Company reflected royalty fee income of \$151,720 and \$133,663, respectively. Income from advertising, spice, and rebates are recognized as the services are rendered.

Income Taxes

The Company, with the consent of its members, has elected under the Internal Revenue Code to be taxed as a Partnership (Form 1065). In lieu of being subject to a corporate income tax, the members of the Partnership are taxed on their proportionate share of the company's taxable income. Therefore, no provision, liability, or disclosure of net operating loss carryforwards, or federal and state income taxes has been included in the financial statements.

Management has evaluated the income tax positions taken or expected to be taken, if any, on income tax returns filed and the likelihood that, upon examination by relevant jurisdictions, those income tax positions would be sustained. Based on the results of this evaluation management determined there are no positions that necessitated disclosures and/or adjustments.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Amortization

Organization costs are being amortized using the straight-line method over five years. Amortization expense for the years ended December 31, 2020 and 2019 was \$1,194 and \$1,194, respectively.

CHAPS PIT BEEF FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Account receivables represent the amounts owed to the Company by various franchisees and as of December 31, 2020 and 2019, the amounts owed were \$2,041 and \$10,620, respectively. At December 31, 2020 and 2019, the allowance for doubtful accounts was \$0 and \$0, respectively, as management has deemed all receivables 100% collectible.

ADVERTISING FUND AND DEFERRED INCOME

The Company collects advertising fund fees to be placed into the advertising fund which is 1% of gross sales depending on the region and other certain criteria in accordance with the signed franchise agreement. Advertising funds collected are to be expended for the benefit of the franchisees and for administrative costs to administer the funds. These expenditures are all at the discretion of the Company.

For the year ended December 31, 2020, the Company collected \$62,402 for advertising and marketing revenue and incurred \$51,396 of advertising and marketing expenses. The difference of \$11,006 increased the deferred advertising income liability to \$30,532 as of December 31, 2020. For the year ended December 31, 2019, the Company collected \$62,322 for advertising and marketing revenue and incurred \$54,857 of advertising and marketing expenses. The difference of \$7,465 increased the deferred advertising income liability to \$19,526 as of December 31, 2019.

For the year ended December 31, 2020, the Company reported \$51,396 of advertising fund income and \$51,396 of advertising and marketing expenses. For the year ended December 31, 2019, the Company reported \$54,857 of advertising fund income and \$54,857 of advertising and marketing expenses.

FRANCHISEES

During the years ended December 31, 2020 and 2019, the Company entered into one franchise agreement during 2020 and two franchise agreements during 2019. Under the terms of the Company's franchise agreements, the Company received franchise fees totaling \$25,000 in 2020 and \$50,000 in 2019, which are reflected in the current financial statements. The franchise fees of \$25,000 received during the year ended December 31, 2020 must be recognized over the 120-month term of the franchise agreement. Franchise fee revenue was \$2,292 during the year ended December 31, 2020. Deferred franchise fees were \$22,708 as of December 31, 2020.

MANAGEMENT FEE EXPENSES

During 2020, the Company entered into a management agreement with MBB Management, LLC (the "Management Company"). The Management Company is not a related party. The Management Company will be responsible for the day-to-day management of the current franchisees and assist the Company with future franchisees, such as research and marketing activities. For the years ended December 31, 2020 and 2019, the Company spent \$56,248 and \$92,459, respectively, on management fee expenses.

CHAPS PIT BEEF FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

LEASED LABOR

Beginning during the year ended December 31, 2020, the Company's office personnel are paid by RCDC, LLC (a related party). RCDC, LLC is responsible for all payroll and insurance reporting requirements. For the years ended December 31, 2020 and 2019, the leased labor expense was \$204,524 and \$126,536, respectively.

DUE FROM RELATED PARTY

At December 31, 2020 and 2019, the Company was owed from Chaps Pit Beef, Inc. (a related party) \$29,170 and \$29,170, respectively. As of report date, the asset balance of \$29,170 remains unpaid.

DUE TO RELATED PARTY

At December 31, 2020 and 2019, the Company owed RCDC, LLC (a related party) \$237,936 and \$126,536, respectively, for allocated operating expenses. As of report date, the liability balance of \$237,936 remains open.

COMPLIANCE FILINGS

The State of Maryland is a franchise registration state. Prior to offering or selling a franchise in Maryland, the Company must register with the Securities Division of the Maryland Attorney General's Office. The Company has met compliance registration requirements during 2020 and 2019.

SUBSEQUENT EVENTS

Subsequent events were evaluated through March 18, 2021, which is the date the financial statements were available to be issued. As of March 18, 2021, the franchise agreement has been updated so that the Company charges an initial franchise fee of \$30,000 and a reduced initial franchise fee of \$20,000 for the second and all additional franchises a franchisee agrees to develop under a multi-unit development agreement.

The COVID-19 outbreak is disrupting supply chains and affecting employment, production, and sales across a range of industries. The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the ability of the franchisees to make timely payments, and the ability of vendors to perform all contracted functions, all of which are uncertain and cannot be predicted. As of March 18, 2021, the extent to which COVID-19 may impact the Company is uncertain.

EXHIBIT N

CHAPS PIT BEEF FRANCHISING LLC

STATE ADDENDA AND AGREEMENT AMENDMENTS

AMENDMENT TO FRANCHISE AGREEMENT
(Alcoholic Liquors Sale)
(Delaware)

This AMENDMENT TO FRANCHISE AGREEMENT (this "Amendment") is made and entered into on this ____ day of _____, 20____ (the "Effective Date"), by and between **CHAPS PIT BEEF FRANCHISING LLC**, a Maryland limited liability company ("we" or "us") and _____ ("you").

BACKGROUND

A. We and you are parties to a Franchise Agreement dated _____, as it may be amended (as amended, the "Franchise Agreement") for the operation of a franchised **CHAPS PIT BEEF®** or **FAMOUS CHAPS PIT BEEF 1987™** restaurant at _____, Delaware _____ (the "Franchised Restaurant").

B. You have applied to the Office of the Delaware Alcoholic Beverage Control Commissioner Office of the Delaware Alcoholic Beverage Control Commissioner (OABCC) for a permit under Title 4 of the Delaware State Code (the "Delaware Alcoholic Liquors Act") to offer and sell alcoholic liquors at the Franchised Restaurant.

C. The OABCC requires that we and you work together to revise the royalty provisions in the Franchise Agreement to comply with the requirement of the Delaware Alcoholic Liquors Act that only persons on the license can profit from the sale of alcoholic liquors, and that you present to OABCC a signed amendment to the Franchise Agreement acceptable to OABCC evidencing compliance with the Delaware Alcoholic Liquors Act.

D. You have requested that we amend the Franchise Agreement to provide that we will not receive any Royalty Fee or Advertising Fund Contribution or any other amount based on Gross Sales of the Franchised Restaurant derived from the sale of alcoholic liquors regulated under the Delaware Alcoholic Liquors Act. To accommodate your request and allow you to meet the condition imposed upon you by the OABCC in order for you to obtain a license to sell alcoholic liquors at the Franchised Restaurant, we are willing to amend the Franchise Agreement subject to the terms of this Amendment.

AGREEMENT

The parties, in consideration of the undertakings and commitments of each party to the other party set forth in this Amendment, hereby mutually agree as follows:

1. The parties incorporate into this Amendment the recitals set forth above as if set forth in full. Capitalized terms used in this Amendment that are not defined in this Amendment will have the meanings given to them in the Franchise Agreement.

2. Section 7.2 of the Franchise Agreement is deleted in its entirety and replaced with the following:

7.2 Royalty Fee. During the Term and any renewal(s), you shall, in addition to the Franchise Fee paid and in further consideration of the grant of the Franchise, pay us a continuing weekly royalty fee (the "Royalty Fee"). The Royalty Fee shall be [nine percent (9%)] of weekly Gross Sales (defined below) of the Franchised Restaurant, subject to adjustment from time to time as provided in Section 7.15(iii). The Royalty Fee shall be payable each Tuesday for the prior week's business, and we may deduct the Royalty Fee from your account pursuant to your authorization as described in Section 7.10 below.

3. Section 7.3 of the Franchise Agreement is deleted in its entirety and replaced with the following:

7.3 Advertising Fund. You shall contribute to the Chaps Pit Beef Advertising Fund ("Advertising Fund") in the amount of [one and one-half percent (1.5%)] of your Gross Sales for the prior week, subject to adjustment from time to time as provided in Section 7.15(iii) (the "Advertising Fund Contribution"), due and payable each Tuesday for the prior week's business, and we may deduct the Advertising Fund Contribution from your account pursuant to your authorization as described in Section 7.10.

4. Section 7.9 of the Franchise Agreement is deleted in its entirety and replaced with the following:

7.9 Definition of "Gross Sales". As used in this Agreement, the term "Gross Sales" shall mean the aggregate amount of all revenues, except revenues derived from the sale of "alcoholic liquors" as defined in Title 4 **Alcoholic Liquors** of the Delaware State Code (the "Delaware Alcoholic Liquors Act"), from whatever source derived (whether in the form of cash, credit, agreements to pay, or other consideration including the actual value of any goods or services traded, bartered or otherwise received by you in exchange for any form of non-monetary consideration, and whether or not payment is received at the time of sale) which arise from or are derived by you or by any other person from business conducted or which originated in, on, from, or through the Franchised Restaurant, whether the business is conducted in compliance with or in violation of the terms of this Agreement, and whether from dine-in, take-out catering, delivery and fulfillment of orders from any and all on-line ordering sources. Gross Sales do not include revenues from the sale of alcoholic beverages, as provided above, nor rebates or refunds actually paid to customers, or sums attributable to sales, transaction privilege, excise or similar taxes based upon sales, actually collected from customers or otherwise and actually paid to taxing authorities. Nevertheless, all monies received from business conducted or which originated in, on, from, or through the Franchised Restaurant shall be reported to us, including monies received from the sale of alcoholic beverages which are not subject to the payment of the Royalty Fee nor the Advertising Fund Contribution and which shall be reported separately. Your responsibility to pay the Royalty Fee and the Advertising Fund Contribution shall only be upon Gross Sales as defined in this Agreement. Any vending income is added to Gross Sales. Gross Sales excludes all revenues from the sale of alcoholic liquors if we permit you to sell alcoholic liquors upon your written request and you comply with all requirements under Delaware law, including the Delaware Alcoholic Liquors Act.

5. The following is added as a new Section 7.15 to the Franchise Agreement:

7.15 Compliance with Laws Governing the Sale of Alcoholic Liquors. To insure compliance with all applicable laws governing the sale of alcoholic liquors, including the Delaware Alcoholic Liquors Act, the parties agree as follows:

(i) *Compliance with All Applicable Laws.* The parties confirm to each other their understanding, agreement and commitment to comply with all laws governing the sale of alcoholic liquors. If any federal, state or local law or regulation applicable to the operation of the Franchised Business prohibits or restricts in any way your ability to pay, and/or our ability to collect, the Royalty Fee or the Advertising Fund Contribution or any other amounts based on revenues derived from the sale of alcoholic liquors from business conducted or which originated in, on, from, or through the

Franchised Restaurant, then we and you will renegotiate the definition of Gross Sales to exclude revenues from the sale of alcoholic liquors and the rate of the Royalty Fee, the Advertising Contribution or other amounts, to result in the same basic economic effect to both you and us as originally provided in the most recent Franchise Disclosure Document delivered by us to you in connection with your entry into this Agreement and in this Agreement prior to any amendment to address any laws governing the sale of alcoholic liquors. For clarity, the originally intended economic effect was the Royalty Fee at the rate of six percent (6%) and the Advertising Fund Contribution at the rate of one percent (1%), respectively, of your weekly Gross Sales, but where the definition of “Gross Sales” was expressly originally defined to include revenues from the sale of alcoholic liquors (the “Originally Intended Economic Effect”).

(ii) *Weekly Reconciliation.* To address the requirements of the Delaware Alcoholic Liquors Act, the parties have, pursuant to an amendment to this Agreement, redefined the definition of Gross Sales in Section 7.9 to exclude all revenues from the sale of alcoholic liquors and amended the rate of the Royalty Fee and the rate of the Advertising Fund Contribution to initially be nine percent (9%) and one and one-half percent (1.5%), pursuant to Section 7.2 and Section 7.3, respectively, of your weekly Gross Sales but where the definition of “Gross Sales” was amended to exclude revenues from the sale of alcoholic liquors. The parties acknowledge and agree that the revised rates are based on assumptions concerning the revenues to be received from the sale of food and other non-alcoholic liquor items on the one hand, and alcoholic liquors on the other hand, and notwithstanding their best attempt to predict the mix of sales, the actual economic effect of applying the higher rates to the redefined Gross Sales excluding alcoholic liquor sales to determine the actual Royalty Fee and the actual Advertising Fund Contribution due and payable under this Agreement as amended (the “Actual Economic Effect”) will vary in any given week or other time period due to normal weekly variations, seasonal influences and the occurrence of major sporting events, among other reasons. Subject to your fulfillment of your reporting obligations with respect to all revenues, including revenues from the sale of alcoholic liquors, we agree to calculate the difference between the Actual Economic Effect and the Originally Intended Economic Effect (the “Variance”) each week following receipt of your payment applicable to the particular week, and if you pay timely, before your next weekly payment is due. If the Variance results in an actual payment by you greater than what would have been calculated according to the Originally Intended Economic Effect, we will remit the difference to you by check, by credit against your next weekly payment due or by offset against other amounts you may owe us as we elect and advise you. If the Variance results in an actual payment by you less than what would have been calculated according to the Originally Intended Economic Effect, you will promptly remit the difference to us by check or we may add the amount of the Variance to your next weekly payment due and collect it in the manner authorized by you for the next weekly payment due, as we elect and advise you. Subject to your fulfillment of your reporting obligations with respect to all revenues, we will provide you with notice of the calculation of the Variance for the preceding week and the manner of reconciling your account in order to timely achieve the Originally Intended Economic Effect.

(iii) *Periodic Adjustment to Royalty Fee and Advertising Fund Contribution Rates.* As provided in Section 7.2 and Section 7.3, respectively, the rate of the Royalty Fee and the rate of the Advertising Fund Contribution is subject to periodic adjustment as provided in this Section 7.15(iii). If the weekly Variation is consistently significant on average mainly in the same direction, upon the written request of either party, the parties will review the assumptions underlying the rates then in effect concerning the mix of revenues to be received from the sale of food and other non-alcoholic liquor items on the one hand, and alcoholic liquors on the other hand, versus the

actual historical sales mix data, and negotiate revised rates to calculate the Royalty Fee and the Advertising Fund Contribution to better achieve the Originally Intended Economic Effect and minimize the weekly Variance. The parties' agreement to new rates will be adopted in a writing signed by them and designated as an amendment to this Agreement.

6. You understand and acknowledge that we may, in the future, approve offerings and amendments under different terms, conditions and policies. Our consent and waiver in this instance shall not be relied upon in future transactions as indicative of our position or the conditions which might be attached to future consents or amendments of the Franchise Agreement.

7. The parties hereto agree that this Amendment constitutes, as of the Effective Date of this Amendment, upon the execution of this Amendment by you and after it has been accepted and executed by us, together with the Franchise Agreement and any other amendments to the Franchise Agreement, the complete understanding between the parties regarding the subject matter hereof, and no representation, agreement, warranties, or statement, oral or in writing, not contained herein or in the Franchise Agreement or any other amendment to the Franchise Agreement, shall be of any force and effect against us. Provided, however, any representations made by us to you in the most recent Franchise Disclosure Document delivered by us to you in connection with your entry into the Franchise Agreement, including its exhibits and any amendments, shall survive the execution of this Amendment. The parties agree this Amendment shall not be modified, altered or amended except in writing signed by all parties. Except as otherwise described in this Amendment, all other terms and conditions in the Franchise Agreement are hereby ratified and confirmed. If there is a conflict between the terms of this Amendment and the Franchise Agreement, the terms of this Amendment shall control. This Amendment shall be governed by the enforcement provisions in Section 16 of the Franchise Agreement, including governing law, dispute resolution, **waiver of jury trial** and waiver of class litigation and punitive damages.

8. This Amendment shall be binding upon and inure to the benefit of our and your respective successors, assigns, personal representatives and heirs, as applicable.

9. You represent and acknowledge that you have received, read and understood this Amendment; and that we have fully and adequately explained the provisions to your satisfaction; and that we have afforded you ample time and opportunity to consult with advisors of your own choosing about the potential benefits and risks of entering into this Amendment.

10. The parties agree and acknowledge that this Amendment may be executed in counterparts and at various times and at various places by the parties hereto, all of which taken together shall be deemed as one original. Executed facsimile copies of this Amendment shall be deemed to be as effective as original signatures.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties intending to be bound legally, have fully signed, sealed and delivered this **Amendment to Franchise Agreement (Alcoholic Liquors Sale)** as of the day and year first above written.

FRANCHISOR:

CHAPS PIT BEEF FRANCHISING LLC
A Maryland Limited Liability Company

By: _____

Name: _____

Its: _____

FRANCHISEE:

[A Delaware Limited Liability Company]

By: _____

Name: _____

Its: _____

Date: _____

By: _____

Name: _____

Its: _____

Date: _____

**ADDENDUM
TO FRANCHISE DISCLOSURE DOCUMENT FOR
CHAPS PIT BEEF FRANCHISING LLC**

STATE OF MARYLAND

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Annotated Code of Maryland, Article – Business Regulation, Title 14, Sections 14-201 through 14-233, the Franchise Disclosure Document for Chaps Pit Beef Franchising LLC for use in the State of Maryland is amended as follows:

1. Item 5 is supplemented by adding the following at the end:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

2. Item 17 for each of the Franchise Agreement and the Multi-Unit Development Agreement is supplemented by adding the following language at the end:

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

3. Item 17 for each of the Franchise Agreement and the Multi-Unit Development Agreement is supplemented by adding the following language at the end:

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

4. Item 1, Item 5 and Item 17 are supplemented by adding the following language at the end:

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

5. Item 17 for each of the Franchise Agreement and the Multi-Unit Development Agreement is supplemented by adding the following language at the end:

The provision in the franchise agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 *et seq.*).

The following are amendments to the Chaps Pit Beef Franchising LLC Franchise Agreement and Multi-Unit Development Agreement required by the State of Maryland.

**AMENDMENT TO CHAPS PIT BEEF FRANCHISING LLC
FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT AGREEMENT
FOR THE STATE OF MARYLAND**

The Chaps Pit Beef Franchising LLC [] Franchise Agreement and [] Multi-Unit Development Agreement ***[check all that apply]*** between _____ (“Franchisee,” “Developer” or “You,” as applicable) and Chaps Pit Beef Franchising LLC (“Franchisor”) dated _____ (collectively, the “Agreement”) for use in the State of Maryland shall be amended by the addition of the following language (the “Amendment”), which shall be considered an integral part of the Agreement:

1. The following language is hereby added to the beginning of Section 3.1(iii) and Section 7.1 of the Franchise Agreement and Section IV. of the Multi-Unit Development Agreement:

Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

2. The following language is hereby added to the end of Section 16.6 and Section 18 of the Franchise Agreement and Section XV.F and Section XVII of the Multi-Unit Development Agreement:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

3. In recognition of the requirements of Maryland law, including the Maryland Franchise Registration and Disclosure Law, Annotated Code of Maryland, Article – Business Regulation, Title 14, Sections 14-201 through 14-233, the Agreement is supplemented by adding the following as a new Section at the end:

FA 19. / MUDA XVIII. MARYLAND AMENDMENT.

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

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

3. The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4. The provision in the franchise agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 *et seq.*).

[SIGNATURES FOLLOW ON THE NEXT PAGE]

IN WITNESS WHEREOF, the parties intending to be bound legally, have fully signed, sealed and delivered this **AMENDMENT TO FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT AGREEMENT FOR THE STATE OF MARYLAND** as of the day and year first above written.

FRANCHISOR:

CHAPS PIT BEEF FRANCHISING LLC

A Maryland Limited Liability Company

By: _____

Name: _____

Its: _____

FRANCHISEE/DEVELOPER:

Signature: _____ (Seal)

Printed Name: _____

Email: _____

Date: _____

Signature: _____ (Seal)

Printed Name: _____

Email: _____

Date: _____

Maryland

**ADDENDUM TO CHAPS PIT BEEF FRANCHISING LLC
FRANCHISE DISCLOSURE DOCUMENT
INFORMATION REQUIRED BY
THE COMMONWEALTH OF VIRGINIA**

In recognition of the requirements of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Chaps Pit Beef Franchising LLC for use in the Commonwealth of Virginia is amended as follows:

1. Item 5 is supplemented by adding the following at the end:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

2. Item 17 is supplemented by adding the following language at the end:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the **franchise agreement** involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

Section 14.3 of the franchise agreement permits the franchisor to terminate the franchise agreement if the franchisee is in default under any other franchise agreement or other agreement between the franchisee and the franchisor.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

3. Each provision of this Virginia Addendum to the Disclosure Document will be effective only to the extent that, with respect to the provision, the jurisdictional requirement of the Virginia Retail Franchising Act is met independently without reference to this Addendum.

The following are amendments to the Chaps Pit Beef Franchising LLC Franchise Agreement and Multi-Unit Development Agreement required by the Commonwealth of Virginia.

**AMENDMENT TO CHAPS PIT BEEF FRANCHISING LLC
FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT AGREEMENT
FOR THE COMMONWEALTH OF VIRGINIA**

The Chaps Pit Beef Franchising LLC [] Franchise Agreement and [] Multi-Unit Development Agreement ***[check all that apply]*** between _____ (“Franchisee,” “Developer” or “You,” as applicable) and Chaps Pit Beef Franchising LLC (“Franchisor”) dated _____ (collectively, the “Agreement”) for use in the Commonwealth of Virginia shall be amended by the addition of the following language (the “Amendment”), which shall be considered an integral part of the Agreement:

1. The following language is hereby added to the beginning of Section 3.1(iii) and Section 7.1 of the Franchise Agreement and Section IV. of the Multi-Unit Development Agreement:

The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

2. Each provision of this Amendment will be effective only to the extent that the franchise or the development area is located in the Commonwealth of Virginia.

[SIGNATURES FOLLOW ON THE NEXT PAGE]

IN WITNESS WHEREOF, the parties intending to be bound legally, have fully signed, sealed and delivered this **AMENDMENT TO FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT AGREEMENT FOR THE COMMONWEALTH OF VIRGINIA** as of the day and year first above written.

FRANCHISOR:

CHAPS PIT BEEF FRANCHISING LLC
A Maryland Limited Liability Company

By: _____

Name: _____

Its: _____

FRANCHISEE/DEVELOPER:

Signature: _____ (Seal)

Printed Name: _____

Email: _____

Date: _____

Signature: _____ (Seal)

Printed Name: _____

Email: _____

Date: _____

Virginia

EXHIBIT O

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration:

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

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

State	Effective Date
Maryland	Pending
Virginia	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPTS

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Chaps Pit Beef Franchising LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Iowa and New York require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days (14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreements or the payment of any consideration, whichever occurs first.

If Chaps Pit Beef Franchising LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The name, principal business address and telephone number of each franchise seller offering the franchise:

☐ Robert Creager ☐ Donna Creager ☐ Natalie Rayner ☐ Jennifer (Jeffrey) Conway ☐

Chaps Pit Beef Franchising LLC, 8 Patrick Way, Kingsville, MD 21807, Phone 443-873-0017

☐ John Moser ☐ Mark Ludes ☐ _____
 MBB Productions, LLC dba MBB Management, P.O. Box 223, Mickleton, NJ 08056, Phone 856-314-5122;
 and

□ _____	
[Names]	[Address/Phone]

Issuance Date: March 30, 2022

See Exhibit A for our registered agents authorized to receive service of process.

I have received a disclosure document dated March 30, 2022, that included the following Exhibits:

Exhibit A	State Administrators and Agents for Service of Process
Exhibit B	Franchise Agreement
Exhibit C	Multi-Unit Development Agreement
Exhibit D	Franchisee Disclosure Questionnaire
Exhibit E	Assignment and Assumption Agreement
Exhibit F	Collateral Assignment of Lease
Exhibit G	Confidentiality and Noncompetition Agreement
Exhibit H	Transfer and Release Agreement
Exhibit I	Continuing Guaranty
Exhibit J	Table of Contents of Confidential Brand Standards Manual
Exhibit K	Roster of Restaurant Franchisees
Exhibit L	Former Restaurant Franchisees
Exhibit M	Financial Statements
Exhibit N	State Addenda and Agreement Amendments
Exhibit O	State Effective Dates

Date	Signature	Printed Name
Date	Signature	Printed Name

KEEP THIS COPY FOR YOUR RECORDS.

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_____ Date	_____ Signature	_____ Printed Name
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_____ Date	_____ Signature	_____ Printed Name
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PLEASE SIGN AND DATE THIS COPY OF THE RECEIPT AND RETURN A SCAN VIA EMAIL TO:
CHAPS PIT BEEF FRANCHISING LLC AT bdcreager@chapspitbeef.com

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