

FRANCHISE DISCLOSURE DOCUMENT

Anchor Bar Franchise & Development, LLC, a Delaware limited liability company

651 Delaware Avenue

Buffalo, New York 14202

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The franchisee will operate a restaurant under the name Anchor Bar® featuring buffalo wings, other food items and a full bar. The total investment necessary to begin operations ranges from \$778,000 to \$1,190,000 if the franchisee is converting an existing restaurant location or from \$1,080,000 to \$1,600,000 if the franchisee is converting a location that was not previously a restaurant. This includes up to \$59,000 that must be paid to the franchisor or an affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Mark Dempsey at 651 Delaware Avenue, Buffalo, New York 14202; telephone: (716) 853-1791.

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

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

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

Issuance Date: March 13, 2024

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit F.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit C 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 Anchor Bar® franchise 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 an Anchor Bar® franchisee?	Item 20 or Exhibit F lists current and former franchisees. You can contact them to ask about their experiences
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California 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.

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

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

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

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

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

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

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

- (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
- (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
- (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision do/s not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this Notice shall be directed to the Department of Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48913. (517) 373-7117.

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Exhibits

- A. List of State Franchise Administrators
- B. List of Agents for Service of Process
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State Effective Dates Page

COPIES OF RECEIPT

APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES REGARDING THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT OR STATE SPECIFIC AMENDMENTS TO THE FRANCHISE AGREEMENT. THESE ADDITIONAL DISCLOSURES OR STATE SPECIFIC AMENDMENTS TO THE FRANCHISE AGREEMENT, IF ANY, APPEAR IN THE STATE ADDENDA AT EXHIBIT E OR THE STATE SPECIFIC AMENDMENTS TO FRANCHISE AGREEMENT IN EXHIBIT D

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Franchise Disclosure Document, “Anchor Bar,” “we” or “us” mean the franchisor – Anchor Bar Franchise & Development, LLC, a Delaware limited liability company. “You” means the person who buys the franchise. If the franchisee is a corporation, partnership, limited liability company or other entity, “you” may also refer to its owners. Anchor Bar® is a Delaware limited liability company that was formed on April 14, 2011. Our principal business address is: 651 Delaware Avenue, Buffalo, New York 14202; telephone: (716) 853-1791.

Anchor Bar® does not have any predecessors or parents, or affiliates that offer franchises. Our affiliate, Anchor Bar Distributing Company, LLC, a New York limited liability company, provides and arranges for the sale of products or services to our franchisees. Its principal address is 651 Delaware Avenue, Buffalo, New York 14202; telephone: (716) 853-1791.

Our agents for service of process are disclosed in Exhibit B.

We do not operate restaurants ourselves, but we may do so in the future. Our affiliated company, Frank and Teresa’s Anchor Bar, Inc. has operated a restaurant in Buffalo, New York since 1935. This restaurant, known as Frank and Teresa’s Anchor Bar, was where Teresa Bellissimo invented the buffalo wing utilizing the Anchor Bar secret proprietary sauce and cooking method.

We are in the business of franchising the right to operate restaurants offering on-site casual dining and take-out under the name “Anchor Bar®” featuring buffalo wings as well as other food products such as appetizers, sandwiches, beef, pizza, seafood and a full bar. We have not previously conducted business in any other line of business. Anchor Bar Distributing Company, LLC has developed a line of proprietary merchandise including marinades, sauces and spices featured in Anchor Bar restaurants. Franchised Anchor Bar® restaurants may offer catering services in accordance with Anchor Bar’s catering program including its required catering menu. Franchised Anchor Bar® restaurants may also offer delivery to customers including through third party services such as DoorDash, UberEats and GrubHub. Each Anchor Bar® restaurant has a dedicated space for retail merchandise sales. We may occasionally consider alternative licensing arrangements for non-traditional locations. We may also occasionally permit franchisees to open multiple locations in a territory.

The general market for the goods and services offered by an Anchor Bar® restaurant is well developed and competitive.

In addition to laws and regulations that apply to businesses generally, you may be subject to regulations relating to the operation of an eating and drinking establishment in your state, city or county, including those governing construction, site location and the sale of food and alcoholic beverages, as well as public health and safety codes and ordinances.

These may include menu-labeling laws and regulations. They include regulations concerning smoking, sanitation, privacy, discrimination, employment and sexual harassment laws as well as the Americans with Disabilities Act, which requires readily accessible accommodations for disabled individuals and may affect your operations. It is your responsibility to comply with these laws and to obtain approval for an on-premises liquor license for your Anchor Bar® restaurant before you open for business and you may experience delays in obtaining this license. Some states have quotas on the number of liquor licenses they issue. In these states you may have to acquire a liquor license from a third party at a significant cost and delay. Therefore, you must apply for the license as soon as you are approved as a franchisee. You should consult with your own advisors and the government agencies in your state for information on how these laws apply to you. Among the laws and regulations that apply to businesses generally, you must comply with all data protection and privacy laws. In particular, you may not copy, transfer or use data on current or past customers such as their names, addresses, phone numbers or email addresses, or provide that information to third parties.

Your competitors include other casual dining and sit-down restaurants.

Anchor Bar began offering franchises to operate Anchor Bar® restaurants in December 2011. Our affiliate previously offered franchises for Anchor Bar restaurants in 2004, but did not grant any. Neither we nor any of our affiliates have offered franchises in any other line of business. However, in 2015 we entered into a Master Franchise Agreement with a master franchisee whom we granted the right to identify and enter into agreements with sub-franchisees. One franchise was granted under the Master Franchise Agreement in 2016.

Anchor Bar's affiliate, Anchor Bar Distributing Company, LLC, offered franchises to area developers to solicit and refer prospective franchisees and to provide services to those franchisees on behalf of the franchisor. Area developers were required to open at least one Anchor Bar restaurant. Anchor Bar Distributing Company, LLC offered these franchises from 2004 to 2006, and does not presently offer franchises in any line of business.

ITEM 2

BUSINESS EXPERIENCE

Chief Executive Officer, President and Managing Member: Mark Dempsey

Mr. Dempsey has served as our Chief Executive Officer since September 2018, and as President and a Managing Member since 2019. He served as Vice President from January 2017 to September 2018. Before that, he was Vice President of Sales beginning in January 2013. From October 2008 to 2019, Mr. Dempsey was Director of Sales for the original Anchor Bar restaurant in Buffalo, New York. In 2019 he was promoted to Vice President. Mr. Dempsey has also served as President and a Managing Member of Anchor Bar Distributing Company, LLC since 2019.

Managing Member: Marcella Wright

Ms. Wright has served as a Managing Member of Anchor Bar since February 2019. Ms. Wright has also been President of Frank and Teresa's Anchor Bar, Inc. operating the original Anchor Bar restaurant in Buffalo, New York since 2019. Ms. Wright has also served as a Managing Member of Anchor Bar Distributing Company, LLC since 2019. Before that, she has held various positions with Anchor Bar in Buffalo, New York, for the past 40 years.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5

INITIAL FEES

Franchisees pay a \$55,000 initial franchise fee in a lump sum when they sign the Franchise Agreement for their first Anchor Bar franchise. Franchisees that are granted the right to develop additional locations will pay a reduced initial franchise fee equal to 80% of the then-current initial franchise fee for each additional location. Licensees in non-traditional locations or that are non-traditional models may pay a different initial fee or no fee. Franchisees in other countries may also pay a different initial fee. The initial franchise fee is not refundable.

You will purchase approximately \$2,000 of your initial inventory from our affiliate, Anchor Bar Distributing Company, LLC and up to \$2,000 of nautically-themed décor items for your restaurant from us or our affiliate. These purchases are non-refundable.

ITEM 6

OTHER FEES

Name of Fee	Amount	Due Date	Remarks
Royalty Fee	5% of gross revenues	Weekly every Monday	See Note 1
Advertising Fee	Up to 3% of gross revenues	Weekly every Monday	See Note 2

Name of Fee	Amount	Due Date	Remarks
Initial Training Fee	\$1,000 per additional trainee (after the first three trainees)	Upon demand	See Note 3
Additional Training Fee	Our then-current fee; currently \$300 per trainer per day plus travel expenses	Upon demand	See Note 4
Transfer Fee	50% of then-current initial franchise fee if buyer is a new franchisee; 25% of then-current initial franchise fee if buyer is an existing franchisee	Before the transfer takes place	See Note 5
Dishonored Payment Fee	\$100 per dishonored payment	Upon demand	See Note 6
Late Fee	2% per month	When payment or report is overdue	See Note 7
Audit Fee	Cost of the audit	Upon demand	See Note 8
Renewal Fee	\$3,000	Upon franchisee's application to renew	See Note 9
Mystery Shopper Fee	Up to \$250 per month	Upon demand	See Note 10
Quality Assurance Audit Cost	Cost of the audit	Upon demand	See Note 11
Quality Standards Control (QSC) Audit Fees	\$250 audit fee plus \$500 fee if do not meet QSC standards; \$250 re-audit fee; our travel expenses and costs	Upon demand	See Note 12
Relocation Fee	25% of the then-current initial franchise fee	Upon demand	See Note 13
Management Fee	Then-current fee; currently 10% of gross revenues plus costs	Weekly every Monday	See Note 14
Indemnification	Payment of our losses and costs	Upon demand	See Note 15

Name of Fee	Amount	Due Date	Remarks
Attorney's Fees	Attorney's fees and costs	Upon determination of prevailing party	See Note 16
Cure Fee	\$1,000 per default	Upon demand after default	See Note 17
Technology Fee	Up to \$1,300 per month	Weekly	See Note 18

All fees are imposed by and are payable to Anchor Bar, unless otherwise noted. We may vary the frequency and method of payment. We may require you to pay fees via electronic withdrawal from your bank account. If we grant your request to pay by credit card, you must also pay a fee to cover merchant services charges. All fees are uniformly imposed except that some fees vary depending on when the franchise was granted and other special circumstances. All fees are non-refundable unless otherwise noted. Over time some of these fees have changed and some existing franchisees may be required to pay different fees. If you are located in a state in which we do not have an office or other physical presence, and the state or local taxing authority imposes a tax on any payment you are required to make to us (either by requiring you to withhold the amount of the tax or by requiring us to pay it), you must pay us the difference between the payment as originally calculated and the payment we receive from you after deducting the tax (or the amount we were charged).

Notes:

1. Gross revenues means all revenues you receive from the operation of the franchised business (including any payments under your business interruption insurance coverage) deducting only amounts paid to any governmental tax authority and any customer refunds made in accordance with our policy. If you are required to withhold and pay any portion of the royalty to a governmental entity and Anchor Bar does not receive a credit or refund of that amount, Anchor Bar may require you to reimburse it for the difference.
2. You must contribute up to 3% of gross revenues to the Anchor Bar advertising fund. These contributions will be added to the advertising fund described in Item 11. Anchor Bar requires you to contribute 1% of gross revenues as of the date this Franchise Disclosure Document was issued, but it may increase this amount at any time. In addition to your contributions to the advertising fund, you must spend at least 1% of your gross revenues on local advertising and promotions. Upon request by Anchor Bar, you must submit receipts documenting these activities.
3. We do not charge a separate fee for providing initial training to your first three persons who attend at the same time. We may charge a fee to provide initial training to additional or replacement personnel.

4. We may charge a fee for additional training we may require you and your personnel to attend in the future. If you request additional training and we agree to provide it, we will also charge this fee.
5. You must pay this fee when you submit an application to transfer. Anchor Bar retains its expenses if it does not consent to the transfer. If you are an individual and you are transferring to a wholly-owned entity, you do not pay a transfer fee, but you must reimburse Anchor Bar for its out-of-pocket expenses in documenting the transfer. There are other conditions to your ability to transfer. See Item 17.
6. Anchor Bar will collect monies from you via electronic funds transfer. In the event of a returned check or insufficient funds within your account, you must pay a fee of \$100 per occurrence.
7. If you do not pay any amount when due, you must pay a late charge of 2% per month, or the maximum rate permitted by law, if less.
8. If during an audit Anchor Bar determines that you have underpaid or underreported fees due to Anchor Bar by 2% or more, then you must pay the cost of the audit.
9. You must pay this fee when you send Anchor Bar notice that you wish to sign a successor agreement 180 days before the end of the term of your Franchise Agreement. Anchor Bar may retain this fee whether or not it grants your request. You must be in good standing to renew. There are other conditions to renewal. See Item 17.
10. If Anchor Bar establishes a mystery shop program, you must pay the cost of such a program which we estimate will be up to \$250 per month. Anchor Bar may collect this payment on behalf of the third party provider.
11. Anchor Bar may require you to participate in a quality assurance audit program to be conducted by a third party supplier. If it does so, you must pay the cost of the audit. Anchor Bar may collect this on behalf of the third party supplier.
12. Anchor Bar may conduct periodic quality standards control (QSC) audits of your business for which we charge this fee. If you do not meet the required QSC standard, we will provide you with a list of changes and steps with which you must comply. You must also pay the additional \$500 fee. We will then re-audit your Anchor Bar restaurant and charge you the re-audit fee. In all cases you must pay our travel expenses and other costs.
13. If you request our approval for you to relocate your business and we agree, you must pay this fee to us for our assistance in evaluating the new site, reviewing your building plans and other services.

14. If you are in default of your Franchise Agreement or if you are not able to operate the restaurant due to illness, disability, death or otherwise, Anchor Bar may elect to step in and operate your franchised business. Anchor Bar is not obligated to do so. Should Anchor Bar exercise this option, you must pay our then-current management fee for managing your franchised business plus and travel and accommodation costs.
15. You must hold harmless, indemnify and defend Anchor Bar and its affiliates, partners, agents and representatives and pay for any claims and losses to them resulting from the operation of your business.
16. If there is a dispute between us, the prevailing party will be entitled to reasonable attorney's fees and costs. If we obtain injunctive relief against you because you breach the Franchise Agreement's provisions concerning use of our trademarks, trade secrets or confidential information or if you do not comply with your obligations under the Franchise Agreement upon termination or expiration, you must also reimburse us for our attorney's fees and costs.
17. If you default under your Franchise Agreement and the default is curable, you must cure the default within the time required and pay this fee.
18. This fee is used to cover items such as customer engagement and loyalty program costs, fees for a franchise portal, fees for apps related to the POS system, online ordering fees, and other fees related to technology, accounting and the operation of your business.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT (RESTAURANT CONVERSIONS)				
TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
INITIAL FRANCHISE FEE	\$55,000	Lump Sum	At signing of Franchise Agreement	Anchor Bar
TRAVEL AND LIVING EXPENSES WHILE TRAINING (Note 1)	\$4,000 - \$8,000	As incurred	During training	Airlines, hotels, restaurants and other vendors

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
LEASE, UTILITY & SECURITY DEPOSITS	\$10,000 - \$40,000	As incurred	As incurred	Lessor, utility companies
LEASEHOLD IMPROVEMENTS & DÉCOR (Note 2)	\$300,000 - \$500,000	As incurred	As incurred	Suppliers and Anchor Bar
DESIGN AND ARCHITECTURAL FEES	\$20,000 - \$35,000	As incurred	As incurred	Architects and Other Professionals
POS SYSTEM	\$25,000 - \$40,000	As incurred	As incurred	Vendors
KITCHEN EQUIPMENT	\$110,000 - \$130,000	As incurred	As incurred	Suppliers
TABLEWARE, GLASSWARE & FLATWARE	\$20,000 - \$30,000	As incurred	As incurred	Vendors
OFFICE EQUIPMENT	\$1,000 - \$2,000	As incurred	As Incurred	Vendors
BUSINESS LICENSES & PERMITS (Note 3)	\$15,000 - \$30,000	As incurred	As incurred	City, State
SIGNAGE	\$20,000 - \$30,000	As incurred, before opening	As incurred	Suppliers
FURNITURE & FIXTURES	\$50,000 - \$65,000	As incurred, before opening	As incurred	Suppliers
AUDIOVISUAL SERVICES & EQUIPMENT	\$75,000 - \$100,000	As incurred, before opening	As incurred	Vendors

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
PROFESSIONAL FEES (Note 4)	\$5,000 - \$10,000	As incurred	As incurred	Suppliers
INITIAL ADVERTISING (Note 5)	\$5,000 - \$15,000	As incurred	As incurred	Media and other vendors
INSURANCE	\$3,000 - \$10,000	As incurred	As incurred	Suppliers
INITIAL INVENTORY (Note 6)	\$20,000 – \$30,000	Lump sum	As incurred	Suppliers and our affiliate
ADDITIONAL FUNDS - 3 Months (Note 7)	\$40,000 - \$60,000	As incurred	As incurred	Employees and suppliers
TOTAL (Note 8)	\$778,000 - \$1,190,000			

YOUR ESTIMATED INITIAL INVESTMENT (NON-RESTAURANT CONVERSIONS)				
TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
INITIAL FRANCHISE FEE	\$55,000	Lump Sum	At signing of Franchise Agreement	Anchor Bar
TRAVEL AND LIVING EXPENSES WHILE TRAINING (Note 1)	\$4,000 - \$8,000	As incurred	During training	Airlines, hotels, restaurants and other vendors

LEASE, UTILITY & SECURITY DEPOSITS (Note 2)	\$10,000 - \$35,000	As incurred	As incurred	Lessor, utility companies
LEASEHOLD IMPROVEMENTS (Note 3)	\$500,000 - \$765,000	As incurred	As incurred	Suppliers and Anchor Bar
DESIGN AND ARCHITECTURAL FEES	\$25,000 - \$50,000	As incurred	As incurred	Architects and Other Professionals
POS SYSTEM	\$25,000 - \$40,000	As incurred	As incurred	Vendors
KITCHEN EQUIPMENT	\$175,000 - \$225,000	As incurred	As incurred	Suppliers
TABLEWARE, GLASSWARE & FLATWARE	\$20,000 - \$50,000	As incurred	As incurred	Vendors
OFFICE EQUIPMENT	\$1,000 - \$2,000	As incurred	As incurred	Suppliers
BUSINESS LICENSES & PERMITS	\$25,000 - \$40,000	As incurred	As incurred	City, State
SIGNAGE	\$20,000 - \$30,000	As incurred, before opening	As incurred	Suppliers
FURNITURE & FIXTURES	\$50,000 - \$65,000	As incurred, before opening	As incurred	Suppliers
AUDIOVISUAL SERVICES & EQUIPMENT	\$75,000 - \$100,000	As incurred, before opening	As incurred	Vendors
PROFESSIONAL FEES (Note 4)	\$5,000 - \$10,000	As incurred	As incurred	Suppliers

INITIAL ADVERTISING (Note 5)	\$5,000 - \$15,000	As incurred	As incurred	Media and other vendors
INSURANCE	\$3,000 - \$10,000	As incurred	As incurred	Suppliers
INITIAL INVENTORY (Note 6)	\$22,000 – \$30,000	Lump sum	As incurred	Suppliers and our affiliate
ADDITIONAL FUNDS - 3 Months (Note 7)	\$60,000 - \$70,000	As incurred	As incurred	Employees and suppliers
TOTAL (Note 8)	\$1,080,000 - \$1,600,000			

The amounts payable to Anchor Bar are nonrefundable unless otherwise noted. The refundability of other amounts depends upon your agreement with the applicable supplier or other party.

Notes:

1. This amount varies depending on how far you are from our training location in Buffalo, New York, and on the number of people attending training.
2. This estimate includes amounts needed for construction, remodeling, decorating costs and any other leasehold improvements. It also includes décor items for your restaurant including nautically-themed pictures, murals and license plates that you purchase from us or our affiliate.
3. In addition to other licenses, you must obtain an on-premises liquor license. Some states have quotas on the number of liquor licenses the issue. In these states, you may have to acquire a liquor license from a third party at a significantly higher cost and delay.
4. This figure includes Anchor Bar's estimate of the cost for you to consult with independent legal and other professional advisors.
5. This figure includes the amounts that you must spend on marketing and promotions before opening and during the first 30 days after opening your business.
6. The amount of initial inventory you will purchase will depend on the size and type of geographic location of your Anchor Bar restaurant and the

demographics of the population in the area. You must purchase some of this initial inventory from our affiliate, Anchor Bar Distributing Company, LLC. We estimate the amount of the initial inventory that you purchase from our affiliate to be approximately \$2,000.

7. These miscellaneous start-up costs are Anchor Bar's estimate of such costs as salaries and working capital. They also include an estimate for the cost of training on the accounting system Anchor Bar requires that you use. It is not a breakeven analysis. Anchor Bar bases its estimate of these expenses on research of current standards, the experiences of its franchisees, and adaptations of its affiliate's experience and the industry. You may have additional expenses in starting the business.
8. These figures are estimates and Anchor Bar cannot guarantee that you will not have additional expenses starting the business. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

Anchor Bar does not offer direct or indirect financing to franchisees for any items.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Designated Suppliers

Anchor Bar and its affiliate have developed a line of proprietary marinades, sauces, soups, spices, cheeses, chicken wings, other food products and other items that you must use in running your franchised business. You must also purchase the spec products Anchor Bar designates from suppliers Anchor Bar designates. Spec products are products such as chicken wings that Anchor Bar requires you to use or offer and designates by type of product or brand. Therefore, you must purchase these items from our affiliate or a designated supplier. Anchor Bar also requires that you purchase retail merchandise for sale in your gift shop such as novelty items, t-shirts and other clothing, and our proprietary food products from Anchor Bar or its affiliate. Anchor Bar and its affiliate will derive revenues from these purchases. Anchor Bar may require that you pay for these items when you order them by electronic withdrawal from your bank account.

Anchor Bar may, at any time, also designate by brand name or by supplier certain food items, supplies, products, equipment, services and social media that you are required to use. The following information is current as of the date this Disclosure Document was issued: You must offer Coca Cola products and purchase certain products from the supplier we designate and beer and liquor by designated brands and from designated suppliers. Other designated suppliers are ADP, Aloha, Directv, Ecolab and First Data (Anchor Bar's designated credit card processor). You must use the accounting system we designate. You must purchase all other materials, food products, spec items, supplies

and equipment required or used in the operation of your franchised business only from vendors, manufacturers, suppliers or distributors we designate from time to time in writing in our Operations Manual (which may include Anchor Bar and its affiliates). As of the date this Disclosure Document was issued, Anchor Bar and its affiliate are the only approved suppliers of proprietary food products and merchandise for your gift shop. You must also purchase our proprietary products such as sauces and rubs from our designated supplier who obtains them from our affiliate.

Anchor Bar charges a technology fee that covers expenses for customer engagement and loyalty programs, online ordering charges, apps that are used to create reports from the POS system and to monitor business operations and other fees related to technology, accounting and the operation of your business. You must obtain these services from Anchor Bar or its designated suppliers. You must use the credit card processor designated by Anchor Bar.

We may designate the company from which you must obtain all audio/visual services such as televisions, radios and security cameras.

We may require you to use the services of a social media/website company we designate. If we do so, you will have to pay the social media/website company a periodic fee for its services.

You must also use our designated supplier for any advertising and marketing materials that you wish to prepare and submit to us for approval.

Anchor Bar may also designate a real estate representative that you must use to assist you in identifying and securing a location for your Anchor Bar restaurant.

Even though Anchor Bar may designate suppliers that you must use, it does not guarantee them or their products or services.

Although Anchor Bar does not require this as of the date this Franchise Disclosure Document was issued, Anchor Bar may contract with third party suppliers to conduct mystery shopping programs and quality assurance audits. If it does so, you must participate in these programs and pay your portion of the cost.

Proposed Suppliers

You may request Anchor Bar's consent to a supplier, although Anchor Bar is not obligated to consider your request. To do so, you must satisfy all of the following conditions. We will not consent to your affiliate becoming a supplier:

1. You must send a written request to Anchor Bar;
2. The supplier must demonstrate that it can supply an item or service meeting Anchor Bar's specifications. This may mean providing Anchor Bar with samples and allowing Anchor Bar representatives to inspect its facility;

3. You may need to reimburse Anchor Bar for its expenses in evaluating the proposed supplier;
4. The supplier must demonstrate its financial soundness, its reputation in the business community and the reliability of its product or service;
5. The supplier or provider must maintain the insurance coverage Anchor Bar requires and name both you and Anchor Bar as additional insureds with the right to notice before modification or cancellation of coverage; and
6. If the item will bear Anchor Bar's trademark, Anchor Bar may require the supplier to sign a license agreement which may include a royalty payment to Anchor Bar.

Anchor Bar generally will notify you of its approval or disapproval of a supplier within 90 days. Anchor Bar may notify you that the approval of a supplier is revoked at any time.

Anchor Bar may elect to evaluate suppliers you propose but it has no obligation to do so. You must also use the point-of-sale system Anchor Bar requires. Anchor Bar's designated point-of-sale software system provider is Aloha Systems as of the date this Franchise Disclosure Document was issued. Anchor Bar will have access to the data on your point-of-sale system.

Menu

You must also offer all menu items that Anchor Bar designates and you may not offer any other menu items without Anchor Bar's consent. You may propose to add or delete items but Anchor Bar may refuse your request. Anchor Bar can add to the approved menu items you must offer, delete them or change them at any time.

Décor

The design, layout, furnishing and decoration of an Anchor Bar restaurant is important to the Anchor Bar brand and system and to create the Anchor Bar experience. You must incorporate all aspects of the décor and trade dress required by Anchor Bar including signage, paint colors, themes, photographs, memorabilia and background music. Your Anchor Bar restaurant must have a bar that is separate from the restaurant.

Lease

You must obtain Anchor Bar approval of the lease or contract for the location from which you will conduct the franchised business. You are responsible for all costs to negotiate and sign the lease or contract. We may require you to include certain terms in your lease including a conditional lease assignment to us or our nominee if your Franchise Agreement expires or is terminated. The lease must also contain the following terms:

- (a) your right to assign the lease to Anchor Bar or its nominee without the landlord's consent or a rent increase or penalty;

- (b) the landlord's acknowledgement that you may not transfer or sublet without Anchor Bar's consent;
- (c) the landlord's consent to Anchor Bar's signage;
- (d) the landlord's agreement to notify Anchor Bar if you default;
- (e) no change may be made to the lease without Anchor Bar's consent;
- (f) if the Franchise Agreement terminates or expires, the landlord's agreement that the lease will transfer to Anchor Bar or its nominee immediately at Anchor Bar's option upon notice by Anchor Bar without rent increase or penalty;
- (g) the landlord may rely on Anchor Bar's notice;
- (h) the notice operates as an assignment, but does not include liability for your prior acts or omissions;
- (i) The landlord may provide to Anchor Bar, upon Anchor Bar's request, all reports, information and data about the property;
- (j) Anchor Bar may enter the premises and make alterations after the expiration or termination of the Franchise Agreement; and
- (k) Anchor Bar is a third party beneficiary of the lease.

Insurance

You must obtain and maintain the insurance coverage required by the Franchise Agreement and as we may periodically notify you from a carrier with a Best's rating of at least A. The required coverage includes the following as of the date this Disclosure Document was issued:

- Commercial General Liability - \$1,000,000 per occurrence and \$2,000,000 aggregate for bodily injury and property damage including product liability, personal and advertising liability with no exclusion for assault and battery on an occurrence form.
- Liquor Liability - \$1,000,000 per occurrence and \$2,000,000 aggregate with no exclusion for assault and battery for liquor related claims on an occurrence form
- Auto Liability - \$1,000,000 combined single limit liability for all owned, non-owned and hired automobiles used in the operation of the Anchor Bar restaurant with no exclusion for third party delivery services

- Property – Equal to 100% of the replacement cost of all real and business personal property of the Anchor Bar restaurant including flood and earthquake insurance in catastrophe-prone zone
- Business Income & Extra Expense – For not less than 40% of your annual sales with at least 180 days extended period of indemnity
- Worker's Compensation – as required in the jurisdiction in which your Anchor Bar restaurant is located
- Umbrella Liability - \$2,000,000 (with a higher limit required if you have more than one Anchor Bar restaurant)
- Employer's Liability - \$1,000,000/\$1,000,000/\$1,000,000
- Employment Practices Liability – including third party liability for \$1,000,000 including a minimum of \$100,000 wage & hour defense coverage and naming Anchor Bar as co-defendant for employment related claims and third-party discrimination and harassment claims
- Cyber Liability - \$1,000,000 including cyber data breaches, identity theft, PCI compliance, ransomware and social engineering sublimit of \$100,000
- Trade Name Restoration - \$500,000 for lost income due to contamination or an alleged contamination event anywhere in the brand.

Your insurance must include coverage for losses that incur after the expiration or termination of the Franchise Agreement for such period of time as we designate. The required coverage and limits are subject to change in Anchor Bar's discretion. Anchor Bar must be listed as additional insured on all of the above policies. You must also obtain all insurance required by your lease, state, local or federal government. All policies must contain a waiver of subrogation and be primary and non-contributory to any insurance Anchor Bar might carry and provide 30 days' written notice of cancellation to Anchor Bar as an additional insured. You must send Anchor Bar a certificate of insurance naming Anchor Bar as an additional insured on all liability policies except the Employment Practices Liability policy on which you must name Anchor Bar as a co-defendant.

Miscellaneous

As of the date this Franchise Disclosure Document was issued, Anchor Bar has negotiated purchase arrangements with Sysco Foods, Coca Cola, Ecolab, ADP, Aloha, Directv, First Data (Anchor Bar's designated credit card processor) and other suppliers for the purchase of products for the benefit of franchisees. Anchor Bar or its affiliate sells proprietary products to suppliers for resale to Anchor Bar restaurants, and receives revenues from these sales. Anchor Bar and its affiliate also may receive revenues or rebates from suppliers on account of other purchases or leases by franchisees. You must purchase designated products from suppliers Anchor Bar mandates.

During the calendar year ending December 31, 2023, Anchor Bar received \$46,952.67 in revenues on account of purchases by franchisees or 2.99% of its total revenues of \$1,570,939. Anchor Bar also received rebates of \$220,172.92 from suppliers on account of purchases by franchisees.

During the calendar year ending December 31, 2023, Anchor Bar's affiliate, Anchor Bar Distributing Company, LLC, received \$489,516.94 in revenues on account of purchases by franchisees. Anchor Bar Distributing Company, LLC did not receive any rebates from suppliers on account of purchases from suppliers by franchisees. The source of this information is Anchor Bar Distributing Company, LLC's financial records. Some of these revenues are from purchases by Anchor Bar's affiliate that operates an Anchor Bar restaurant.

No officer of Anchor Bar owns an interest in any supplier as of the date this Disclosure Document was issued, except for Anchor Bar or its affiliate.

Anchor Bar does not provide material benefits to franchisees based on use of designated or approved suppliers as of the date this Franchise Disclosure Document was issued but it may do so in the future.

Anchor Bar estimates that the required purchases and leases described in this Item will constitute approximately 60% or more of all purchases and leases you will incur to establish and operate your Anchor Bar restaurant.

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.

<u>Obligation</u>	<u>Section in Agreement</u>	<u>Disclosure Document Item</u>
a. Site selection and acquisition/lease	Section 3	Items 8 and 11
b. Pre-opening purchases/leases	Section 3	Items 5, 7 and 8
c. Site development and other pre-opening requirements	Section 3	Items 7 and 11
d. Initial and ongoing training	Section 7(a)	Item 11

	<u>Obligation</u>	<u>Section in Agreement</u>	<u>Disclosure Document Item</u>
e.	Opening	Section 3(g)	Item 11
f.	Fees	Sections 5(d), 6, 7(a)(iii); 9(a)(iii), 9(k), 11, 14(b)(iii)(G), 16(b) and 29	Items 5 and 6
g.	Compliance with standards and policies/Operating Manual	Section 7(b)	Item 11
h.	Trademarks and proprietary information	Sections 9(b) and 12	Items 13 and 14
i.	Restrictions on products/services offered	Sections 9(a) and 9(c)(ii)	Item 16
j.	Warranty and customer service requirements	Section 9	Item 11
k.	Territorial development and sales quotas	Section 2	Item 12
l.	Ongoing product/service purchases	Section 9	Item 8
m.	Maintenance, appearance and remodeling requirements	Section 9(c)	Item 11
n.	Insurance	Section 10	Item 8
o.	Advertising	Section 8	Item 6 and 11
p.	Indemnification	Section 11	Item 6
q.	Owner's participation/management/staffing	Section 9(c)(i)	Item 15
r.	Records and reports	Sections 6(i), 9(k) and 9(m)	Item 6
s.	Inspections and audits	Sections 9(j) and (k)	Item 6
t.	Transfer	Section 14	Item 17
u.	Renewal	Section 5	Item 17

<u>Obligation</u>	<u>Section in Agreement</u>	<u>Disclosure Document Item</u>
v. Post-termination obligations	Sections 13(b) and 17	Item 17
w. Non-competition covenants	Section 13	Item 17
x. Dispute resolution	Section 25	Item 17
y. Other: Spousal Consent and Personal Guaranty of franchisee and spouse (Note 1) and owner Confidentiality and Non-Competition Agreements (Note 2)	Exhibits B and D to Franchise Agreement	Item 22

Notes:

(1) The spouse of an individual franchisee (and the spouse of each owner of a franchisee that is an entity) must sign a spousal consent (Exhibit B).

(2) Each individual who owns an interest in a franchisee that is a business entity (and that individual's spouse) must sign an agreement to maintain confidentiality and not to compete and an agreement assuming and agreeing to discharge all obligations of the "Franchisee" under the Franchise Agreement (Exhibit D).

ITEM 10

FINANCING

Anchor Bar does not offer financing to you, either directly or indirectly. Anchor Bar does not guarantee your financing, borrowing, lease or other obligation.

ITEM 11

**FRANCHISOR'S ASSISTANCE, ADVERTISING,
COMPUTER SYSTEMS AND TRAINING**

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

Before you begin to operate your Anchor Bar restaurant, Anchor Bar:

(1) Will review the location you propose for your Anchor Bar restaurant. You must use Anchor Bar's designated real estate representative to assist you in identifying a location for your Anchor Bar restaurant. You select the location for your business subject

to Anchor Bar's acceptance in writing. You must submit your request in a format that Anchor Bar requires. You must obtain Anchor Bar's acceptance before signing a lease or contract for the site. Anchor Bar does not own premises or lease them to franchisees. In general, the factors which Anchor Bar may consider include the general location and neighborhood of the business, demographics, traffic patterns, parking, size, proximity of complementary businesses, physical characteristics of the location and lease terms (See Franchise Agreement, Section 3(a)).

Anchor Bar will accept or reject your proposed location within 20 days after receiving the request and all of the information it requires concerning the proposed location. If you and Anchor Bar cannot agree on a proposed site, then you must find another site and request that Anchor Bar accept it. You must obtain Anchor Bar's acceptance of a location within 270 days after signing the Franchise Agreement if you are leasing a location and within one year after signing the Franchise Agreement if you are building your location. Anchor Bar may extend the deadline to identify the location for your Anchor Bar restaurant for up to 90 days if we determine that you have demonstrated that you are diligently taking steps to secure a location.

You must open your Anchor Bar restaurant at this type of location within 540 days after signing the Franchise Agreement if you are building a location or within 450 days after signing the Franchise Agreement if you are leasing a location. Anchor Bar may extend the deadline to open your Anchor Bar restaurant for an additional 180 days, up to 720 days after signing the Franchise Agreement if you are building a location. Anchor Bar may extend the deadline to open your Anchor Bar restaurant for an additional 90 days, up to 540 days after signing the Franchise Agreement if you are leasing your location. Anchor Bar will consider granting this extension if we determine that you have demonstrated that you are diligently taking steps to secure a location. If you do not open your Anchor Bar restaurant when required, your Franchise Agreement may terminate. Your lease must contain the provisions described in Item 8.

(2) Will deliver to you drawings for a conceptual appearance of an Anchor Bar restaurant and review your architect's floor plans for your Anchor Bar restaurant, for which Anchor Bar's acceptance is required (See Franchise Agreement, Section 3(c)).

(3) May evaluate your architect's full construction drawings for your Anchor Bar restaurant, for which Anchor Bar's approval is required (See Franchise Agreement, Section 3(d)).

(4) Will prescribe the menu items for your Anchor Bar restaurant (See Franchise Agreement, Section 9(c)(ii)).

(5) Will designate the point-of-sale system you use in your Anchor Bar restaurant (See Franchise Agreement, Section 3(e)).

(6) Will develop proprietary ingredients and products using secret recipes or other trade secrets or information and require you to purchase those ingredients and products. Anchor Bar or its affiliate may be the sole suppliers of these products or may

designate suppliers for these ingredients and products and may provide you with production methods you must use and the quality controls you must impose for Anchor Bar's proprietary products (See Franchise Agreement, Section (9)(a)(i)).

(7) May designate suppliers for merchandise, equipment, inventory, supplies and services and may provide written specifications for these items. Neither Anchor Bar nor its affiliate delivers or installs these items (See Franchise Agreement, Section 9(a)).

(8) May evaluate and decide whether or not to authorize your opening of your Anchor Bar restaurant to the public (See Franchise Agreement, Section 3(f)).

(9) Will provide you with the initial training program described below (See Franchise Agreement, Section 7(a)).

(10) Will loan you one copy of the Operations Manual, which Anchor Bar may modify from time to time. A copy of the table of contents of the Operations Manual is attached as Exhibit G to this Disclosure Document. Exhibit G also includes the number of pages in the Operation Manual devoted to each subject. There are a total of 372 pages in our Operation Manual. (See Franchise Agreement, Section 7(b)).

The typical length of time between the earlier of the signing the Franchise Agreement or the first payment of consideration for the franchise and the opening of the business is approximately 12 months or more if you are building a location, and approximately nine months or more if you are leasing a location. It may take longer for a franchisee to open its Anchor Bar restaurant if the franchisee does not diligently pursue site selection and buildout of the restaurant. The factors that affect this are locating a satisfactory site, obtaining a lease, construction of improvements to the site, financing, obtaining building permits, obtaining a liquor license, zoning and local ordinances, acquisition of sufficient inventory, weather conditions, shortages, any delays in installation of equipment, fixtures and signs and regulations concerning the ability to operate during the public health crisis.

During the operation of your business, Anchor Bar:

(1) Will periodically furnish advice and guidance to you on the operation of your Anchor Bar restaurant which you must implement (See Franchise Agreement, Section 7(c)).

(2) May provide refresher training which you would be required to attend (See Franchise Agreement, Section 7(a)(iv)).

(3) May organize franchisee meetings periodically which you may be required to attend (See Franchise Agreement, Section 7(d)).

(4) Will provide additional training in the Anchor Bar program if you request (and we agree) or we determine it to be necessary (See Franchise Agreement, Section 7(a)(v)).

(5) Will evaluate and decide whether or not to approve any advertising materials you propose to use which must be prepared by the company Anchor Bar designates (See Franchise Agreement, Section 8(c)).

(6) May periodically make recommendations concerning menu pricing and establish and enforce menu prices, both minimum and maximum, to the extent permitted by applicable law (See Franchise Agreement, Section 9(a)(vi)).

(7) May periodically establish and publish specifications for the painting and décor, furnishings, fixtures, signage, facility and equipment of Anchor Bar restaurants (See Franchise Agreement, Section 9(e)).

Advertising

Anchor Bar has established an advertising fund to which you must contribute (See Item 6).

Anchor Bar may elect to disseminate advertising through television, radio and print media such as magazine, billboards, flyers or mailers and newspapers. The media coverage will initially be local in scope, but may expand to be regional and later, at our discretion, national. Anchor Bar is not required to spend any specific amount on advertising in the area or territory in which your Anchor Bar restaurant is located. Anchor Bar may use the advertising fund to employ an outside consultant or advertising agency to assist in the development, production and dissemination of advertising materials. We may also use the advertising fund to develop promotional and advertising materials for your use. We may spend the advertising fund on administrative expenses including allocation of overhead and salaries of our personnel.

During the year ended December 31, 2023, Anchor Bar spent the advertising contributions it received as follows:

Category	Amount	% of Total 2023 Expenses
Production (Tipping Point, Gallagher, Local Edge)	\$6,012.86	5.26%
Media Placement	\$24,302.11	21.26%
Other: Refunds to Franchisees*	\$83,988.03	73.48%
Total	\$114,303.00	100.0%

*These are amounts Anchor Bar collected from franchisees in certain areas and directed these franchisees to spend the amounts on local advertising.

In addition, you must spend a minimum of 1% of your revenues on local advertising that we have approved.

We may require franchisees to form local marketing cooperatives when unit development in the marketing area makes such an option feasible. If such a marketing cooperative is formed in your territory, Anchor Bar may require that you contribute to the cooperative all or a portion of the 1% of your revenues allocated to local advertising. Anchor Bar will not require that you contribute more than 1% of your revenues to the cooperative.

We may require you to use the services of a social media/website company we designate. If we do so, you will have to pay the social media/website company a periodic fee for its services.

We may prepare periodic financial reports on the advertising fund and, if we do so, they will be available to you upon request. We do not audit the advertising fund as of the date this Disclosure Document was issued. Any amounts in the advertising fund not spent during one year will carry over to the next year. No expenditures will be made from the advertising fund principally to solicit new franchise sales.

You may use your own advertising materials such as point-of-purchase materials and menus, only after they have been approved in writing by Anchor Bar. You must submit such advertising materials to Anchor Bar at least 10 days prior to the deadline for disseminating them.

We require franchisees to contribute to the advertising fund at the same rate, although there may be exceptions in some circumstances such as non-traditional locations. We may also contribute to the fund.

We may develop discount programs or other customer engagement programs in the future. If we do so, you must participate.

Anchor Bar does not currently have a franchisee advisory council, but reserves the right to create one in the future.

Computer System and Software

As of the date this Disclosure Document was issued, we require you to purchase a computer and point of sale software provided by NCR Corporation called Aloha Systems to perform certain functions, some of which are to process and track: (a) purchases; (b) daily revenues; and (d) product sales. The designation of this computer software is subject to change. We estimate the cost to buy the computer system and software is \$20,000 to \$30,000. We will have independent access to this information and we will be able to download it. There is no contractual limit on our right to do so. You must have high-speed access to the Internet.

We also require you to use the accounting system we designate which is Compleat as of the date this Disclosure Document was issued. You must also pay the training fee that is charged by the vendor for the use of this system.

You must keep your books of account in accordance with good accounting practices and your books of account must fully and accurately disclose your gross revenues. By the 15th day of each month, you must provide us with monthly financial statements including a profit and loss statement. Within 15 days following the end of each calendar quarter and year you must also deliver to us quarterly and annual financial statements prepared in accordance with U.S. generally accepted accounting principles. If we require it, these financial statements must be certified by an independent certified public accountant. We may also require additional financial reports that you must provide. The financial statements must accurately reflect current results of the operation of your Anchor Bar restaurant and must be on forms that we prescribe.

We do not have a contractual obligation to provide ongoing maintenance, repairs, upgrades or updates for your electronic cash register, computer hardware or software.

Training

Following is information on the training program as of Anchor Bar's fiscal year ended December 31, 2023:

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Overview of Anchor Bar Concept/ Establishing the Business/History and Features of Anchor Bar Brand	4	4	Anchor Bar Headquarters in Buffalo, NY
Day-to-Day Procedures/ Product Preparation- Serv Safe	12	5-6	Anchor Bar Headquarters in Buffalo, NY
Reporting Functions	3	3	Anchor Bar Headquarters in Buffalo, NY
Human Resources	½	½	Anchor Bar Headquarters in Buffalo, NY
Marketing	3	1	Anchor Bar Headquarters in Buffalo, NY
Guest Services Procedures	1	8	Anchor Bar Headquarters in Buffalo, NY

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Equipment and Facility Maintenance	1	2	Anchor Bar Headquarters in Buffalo, NY
Working with Suppliers – Inventory/Invoicing	3	1	Anchor Bar Headquarters in Buffalo, NY
Quality Control	1	8	Anchor Bar Headquarters in Buffalo, NY
Administrative Issues	½	1	Anchor Bar Headquarters in Buffalo, NY
Total	29	33½ - 34½	

Training programs are held when necessary to train new franchisees, and the content and duration of the training program is subject to change. Portions of the training may be virtual.³

Instructional materials provided include a curriculum of activities, training outline, information on recipes and menus, and brochures.

Anchor Bar's senior management personnel or its trainers will conduct initial training. Instructors have a minimum of six years' experience in the field and three years with Anchor Bar's affiliates.

You must attend and complete initial training to our satisfaction between 60 and 90 days before opening your Anchor Bar restaurant. If you fail to complete the training to our satisfaction, we may terminate your franchise. In addition to the initial training described above, Anchor Bar may require you and your personnel to attend refresher training before renewing the Franchise Agreement. Anchor Bar also requires you and your personnel to attend up to ten days of additional training at the daily training rate, per trainer provided every year at a location designated by Anchor Bar. Moreover, Anchor Bar may require franchisees to undergo, or franchisees may request, additional training. Franchisees must pay all of their own expenses in connection with this additional training along with all of the trainer's travel expenses, if any. Anchor Bar may also require you to attend a national business meeting or convention for up to three days per year. You will bear all direct costs, such as travel and accommodation, for attending these events.

Before you open the franchised business, you, your manager and your assistant manager must successfully complete our initial training program. It lasts approximately three weeks for you and your general manager and approximately one week for your assistant manager and for other owners of the franchise entity who will not be active in managing the business. Initial training takes place at the Anchor Bar corporate headquarters in

Buffalo, New York or another location we designate. There will be classroom training and additional training at an Anchor Bar restaurant. You will receive no compensation or reimbursement for services or expenses for participation in training. Anchor Bar will not charge you to train up to three of your personnel at the same time, but we may charge you a fee to train more than three persons or to conduct initial training at a later time. You will be responsible for all of your and your employees' expenses to attend the training program, including any lodging, transportation and food.

ITEM 12

TERRITORY

You receive the right to operate an Anchor Bar restaurant at a location in your protected territory. Your territory will generally include a radius of five miles except when Anchor Bar consents to your location in what it considers to be a densely populated area. Your territory will be defined by zip codes.

If you do not have a location for your Anchor Bar restaurant when you sign the Franchise Agreement, we will designate a general geographic area in which you may search for locations. This area may be a city, a county or a state. You do not have any rights to exclusivity within this general geographic area, only in the area around your location once it is determined.

You may not relocate your business or establish additional outlets without our written consent. In general, the factors that Anchor Bar may consider in deciding whether to consent to your request are demographic changes with respect to the location of your franchised business, and the performance of your franchised business. You typically will not receive any options, rights of first refusal or similar rights to acquire additional franchises, but we have granted rights of first refusal in the past for limited amounts of time. Under certain circumstances, we may allow you the right to open multiple locations in a territory

You may not sell products or services at wholesale from your franchised location.

We will not operate Anchor Bar restaurants in your territory and we will not license third parties to do so except in locations such as airports, hotels, convention centers, sports arenas and stadiums, casinos, college campuses, amusement parks, supermarkets, box stores, museums or similar venues. Food trucks operated by us or franchisees may operate in your territory from time to time. We also reserve the right to sell our proprietary products in your territory through any channel of distribution. If we acquire or are acquired by another food service company, there may be restaurants similar to your restaurant operating in your territory and the number of them may grow.

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 have the right to offer catering services in accordance with the Anchor Bar catering program that includes a required catering menu. You may also offer deliver to your customers, including using third party delivery services such as DoorDash, UberEats and GrubHub.

You have the right to serve customers from outside of your territory but you do not have the right to use other channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing to make sales outside of your territory. You do not have the right to use the Internet, catalog sales, telemarketing or other direct marketing to make sales in your territory except for dine-in or take-out sales from your Anchor Bar restaurant.

Anchor Bar reserves all rights that it does not grant to you. For example, Anchor Bar reserves all rights to sell our proprietary products in your territory, to market similar products and services under a different trademark inside your territory without compensation to you for doing so, to promote Anchor Bar restaurants and to sell Anchor Bar products and other products using other channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing. Anchor Bar does not have to pay you if it solicits or accepts orders from inside your territory.

Only Anchor Bar may operate a website that uses its name and other trademarks or features its products. You may not develop or operate a website relating to the franchised business or using our marks without our permission. We may require you to operate a website that meets our specifications and which may be linked to our website.

You must follow our policy for the use of social media. We may require you to retain a designated social media/website company. If we do so, you will have to engage them and pay their fees. You may not establish an account or participate in any social networking sites (including, without limitation, Facebook, LinkedIn, Twitter, YouTube, TikTok, Instagram or any other social or professional networking blog) or mention or discuss the franchise, us or any of our affiliates, without our prior written consent. If we do consent, we have the right to review all on-line content on social media sites, blogs, in electronic communications and on other on-line sites on which our trademarks are used to protect the reputation and high quality associated with our trademarks. We may require you to remove any questionable usage or content involving our trademarks. We may also require you to cease using our trademarks at all such sites.

The continuation of your territorial rights is not dependent on achievement of any certain sales volume, market penetration or other contingency other than your compliance with the terms of the Franchise Agreement.

ITEM 13

TRADEMARKS

Anchor Bar grants you the right to conduct business operating a restaurant under the name "Anchor Bar," a design logo using the same words as seen on the cover page to

this Franchise Disclosure Document, and related trademarks. You must also use other trademarks which we develop or prescribe to identify your business and its services and products. By trademark, we mean trade names, trademarks, service marks and logos used to identify your business, its services and its products.

You must follow our rules when you use these trademarks. You cannot use a name or mark as part of a corporate name or with modifying words, designs or symbols except for those which Anchor Bar licenses to you. You may not use Anchor Bar's trademarks in the sale of an unauthorized product or service or in a manner not authorized in writing by Anchor Bar.

Anchor Bar received the right to use these trademarks and to license their use to you under a trademark license agreement with our affiliate, Anchor Bar Distributing Company, LLC, dated as of June 23, 2011. Unless terminated, the agreement continues for a 50-year term, and the agreement may not be modified without both parties' consent. The trademark license agreement provides that upon reasonable notice, the licensor can make site visits to Anchor Bar restaurants and you must provide the licensor and its representatives with access to your Anchor Bar restaurant. If the trademark license agreement is terminated for any reason or expires, it provides that Anchor Bar Distributing Company, LLC will continue to honor the rights Anchor Bar granted to you. No other agreements limit Anchor Bar's right to use or license the use of the trademarks.

Following is a chart that presents registration information on registrations with the United States Patent and Trademark Office ("USPTO") for these trademarks:

Registration Number	Description of Mark	Principal/Supplemental Register	Registration Date
2,662,608		Principal	December 17, 2002 (renewed April 19, 2022)
2,172,483		Principal	July 14, 1998 (renewed May 18, 2018)
1,549,347		Principal	July 25, 1989 (renewed September 30, 2018)

Registration Number	Description of Mark	Principal/Supplemental Register	Registration Date
4,428,337		Principal	November 5, 2013 (renewed July 21, 2023)
4,442,199		Principal	December 3, 2013 (renewed July 6, 2023)
6,644,336		Principal	February 15, 2022
6,644,326	ANCHOR BAR	Principal	February 15, 2022

Our affiliate has filed all required affidavits.

There are no currently effective material determinations of the USPTO, trademark trial and appeal board, the trademark administrator of this state or any court, or any pending infringement, opposition or cancellation or any pending material litigation involving the principal trademarks.

You must notify Anchor Bar immediately when you learn about an infringement of or challenge to your use of our affiliate's trademarks. The Franchise Agreement requires us to protect you against claims of infringement if you are using the trademarks as required by the Franchise Agreement and if you are in good standing. You must assist Anchor Bar in protecting any of its rights, at Anchor Bar's expense.

If you learn about a third party's use of our trademarks that you believe to be unauthorized, you must notify us immediately. We will decide whether or not to take action against the third party, and you must assist us, at our expense, if we decide to do so.

We have the right to control any administrative proceeding or litigation involving our trademarks. You do not have the right to settle a claim without Anchor Bar's consent.

If we decide to add a new trademark, or modify or discontinue the use of any trademark, you must use the new trademark or change or discontinue the use of the trademark, all at your expense. You must not contest Anchor Bar's right to its trademarks.

Anchor Bar does not know of any infringing uses that could materially affect your use of its trademarks.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You do not receive the right to use any item covered by a patent.

Anchor Bar may claim a copyright in marketing materials and other promotional and operational literature it develops, although it has not filed for copyright registration.

There are no currently effective material determinations of the USPTO, the United States Copyright Office or a court regarding any copyright owned by Anchor Bar or its affiliate. There is no material pending proceeding the USPTO or any court concerning any such copyright.

You must notify Anchor Bar immediately when you learn about a challenge to use of our copyrighted materials. Anchor Bar will defend you against claims of infringement if you are using the copyrighted material as required by the Franchise Agreement, if you are in good standing and if you cooperate in the defense of the claim. You must assist Anchor Bar in protecting any of its rights, at Anchor Bar's expense. Anchor Bar will control any administrative proceedings or litigation involving the copyrighted materials. You do not have the right to settle a claim without Anchor Bar's consent.

If you learn about a third party's use of these copyrighted materials which you believe to be unauthorized, you must notify Anchor Bar immediately. Anchor Bar will decide whether or not to take action against the third party, and you must assist Anchor Bar, at Anchor Bar's expense, if we decide to do so.

If Anchor Bar decides to add, modify or discontinue the use of anything covered by a copyright, you must also do so at your expense. You must not contest Anchor Bar's right to its copyrights.

Anchor Bar does not know of any infringing uses that could materially affect your use of its copyrighted materials.

You also receive the right to use certain of our trade secrets and confidential and other proprietary information, including our proprietary practices and procedures, recipes, interior and exterior layout, construction plans and specifications, marketing strategies, operations, techniques, financial information, supplier and customer lists and data, specifications and materials about restaurant services and activities, and, in general, methods, techniques, formulas, formats, specifications standards, procedures, know-

how, information systems and knowledge and the contents of our Operations Manual. You must have any of your personnel with access to this information sign a confidentiality and non-competition agreement in a form acceptable to us.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

We require that you (or an operating partner whom we must approve if your business entity has more than one principal) complete initial training to our satisfaction and participate personally in the direct operation of the franchised business. If we determine you do not have sufficient restaurant experience, you must hire a full-time manager who meets our specifications (including completing initial training to our satisfaction). We may require any of your personnel who have access to our confidential information to sign a confidentiality and noncompetition agreement.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Anchor Bar requires that you offer and sell only those goods and services that Anchor Bar has approved. You may not sell products or services at wholesale.

You must offer all goods and services that Anchor Bar designates unless we otherwise agree in writing. There are no limits on Anchor Bar's right to do so.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise or Other Agreement	Summary
a. Length of the franchise term	Section 4	10 years.
b. Renewal or extension of the term	Section 5	If you meet certain conditions, you can enter into the then-current renewal Franchise Agreement for up to 2 additional terms of 5 years.
c. Requirements for franchisee to renew or extend	Section 5	You must sign our then-current form of Franchise Agreement which may contain different terms; you must be in full compliance under all agreements with us or our affiliates; you must pay all that you owe us plus a renewal fee; successfully complete refresher training; sign a general release; fulfill all your obligations and not have received 3 or more default notices in any 24 month period; Anchor Bar must not have decided to withdraw from your market; you must meet requirements for new franchisees; remodel and update your business premises; you must have the right to occupy the premises for the renewal term; you must give us 180 days' notice of your election to renew and return documents within 20 days. You may be asked to sign an agreement with materially different terms and conditions than your original Franchise Agreement.
d. Termination by franchisee	Not Applicable	
e. Termination by franchisor without cause.	Not Applicable	
f. Termination by franchisor with cause.	Section 16	Anchor Bar can terminate only if you default or if the events described in g and h occur.

Provision	Section in Franchise or Other Agreement	Summary
g. "Cause" defined-curable defaults	Section 16(b)	You have 5 days to cure nonpayment and up to 30 days for other types of noncompliance.
h. "Cause" defined-non-curable defaults	Section 16(a)	Noncurable defaults: bankruptcy insolvency or appointment of a receiver; abandonment; your material misrepresentation to Anchor Bar; your failure to commence operations within the time described in Item 11; your failure to obtain Anchor Bar's consent to your restaurant location within the time described in Item 11; conviction of a felony or other criminal misconduct or conduct which reflects unfavorably on Anchor Bar or its system; noncompliance with law within 3 days after notice including the Americans with Disabilities Act, intentional failure to report gross revenues; repeated failure to comply with Franchise Agreement requirements; seizure by government official or lienholder; eviction by lessor for any reason; final judgment of more than \$5,000 remains unsatisfied for 30 days; undischarged levy of execution on franchise; danger to public health or safety; unauthorized transfer; termination of any other agreement with Anchor Bar or its affiliate; your unauthorized use of trademarks or trade secrets; you become a specially designated national or blocked person under the U.S. anti-terrorism laws.
i. Franchisee's obligations on termination/non-renewal	Sections 13 and 17	Pay all amounts due to us; discontinue use of trademarks, and system; de-identify; return or destroy all inventory with Anchor Bar's trademarks; return confidential information; assist in smooth transition of business; refrain from soliciting customers; refrain from making disparaging remarks; re-assign to Anchor Bar telephone and facsimile numbers and e-mail addresses; and cancel fictitious business name statement (also see r below).

		Section in Franchise or Other Agreement	Summary
Provision			
j.	Assignment of contract by franchisor	Section 14(a)	No restriction on Anchor Bar's right to assign.
k.	"Transfer" by franchisee – definition	Section 14(b)(ii)	Includes transfer of Agreement, assets of Anchor Bar restaurant or greater than 25% ownership interest in franchisee.
l.	Franchisor approval of transfer by franchisee	Section 14(b)(i)	You must obtain Anchor Bar's consent to all transfers.
m.	Conditions for franchisor approval of transfer	Section 14(b)(iii)	You must be in good standing; the premises must meet Anchor Bar's then-current standards; your lessor consents; transferee meets qualifications for new franchisee; the transferee must sign the then-current form of Franchise Agreement and guaranty; the transferee must successfully complete Anchor Bar training; you pay transfer fee; you sign a general release; transferee's obligations to you are subrogated to obligations to us; you must transfer all of your agreements with Anchor Bar; transferee is not a specially-designated national or blocked person. If you want to transfer your franchise to an entity, you must own the entity, sign a personal service agreement with the entity, the entity must agree to the Franchise Agreement (you remain responsible as well), the franchise business must be the sole business of the entity and you must reimburse Anchor Bar for its expenses.
n.	Franchisor's right of first refusal to acquire franchisee's business	Section 14(c)	Anchor Bar can match any offer for your business.

Provision	Section in Franchise or Other Agreement	Summary
o. Franchisor's option to purchase franchisee's business	Section 17(d)	Anchor Bar has the option of acquiring your assets if the Franchise Agreement expires or terminates.
p. Death or disability of franchisee	Section 14(d)	If you or your principal dies, your executor or representative may either satisfy the then-current qualifications for franchisees or transfer the franchise to a qualified buyer within 60 days.
q. Non-competition covenants during the term of the franchise	Section 13(a)	You may not be involved in any similar business.
r. Non-competition covenants after the franchise is terminated or expires	Section 13(b)	You may not operate a similar business within 10 miles of another Anchor Bar restaurant for one year after termination or expiration.
s. Modification of the agreement	Section 28	No modification without a writing signed by you and Anchor Bar, except that Anchor Bar may amend the Operations Manual if it adopts one.
t. Integration/merger clause	Section 27	Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises may not be enforceable. Nothing in the Franchise Agreement is intended to disclaim anything contained in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	Section 25	Except for certain claims, all disputes must be mediated and if not resolved, arbitrated (subject to applicable state law).
v. Choice of forum	Section 25	City where Anchor Bar headquarters is located, currently Buffalo, New York (subject to applicable state law).

Provision	Section in Franchise or Other Agreement	Summary
w. Choice of law	Section 24	Delaware law applies, subject to the Lanham Act (subject to applicable state law).

ITEM 18

PUBLIC FIGURES

We do not use any public figures to promote our franchise as of the date this Franchise Disclosure Document was issued, but we may do so in the future.

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.

Following are the charts disclosing the gross sales for the calendar years 2019, 2020, 2021, 2022 and 2023 for franchised Anchor Bar restaurants. By "gross sales," we mean the total amount of sales after deducting taxes paid. Manager meals, voided sales and comps are also excluded. Affiliate-owned and non-traditional locations are not included. All of the Anchor Bar restaurants that were open for the full applicable year in the United States and which are still in operation are included. These consist of four franchised Anchor Bar restaurants that were open for all of 2019, seven franchised Anchor Bar restaurants that were open for all of 2020 (except closures caused by the COVID-19 pandemic) and 2021 and nine franchised Anchor Bar restaurants that were open for all of 2022 and 2023. One franchised Anchor Bar restaurant closed in 2019, one in 2020, one Anchor Bar restaurant opened and closed in 2021 and one Anchor Bar restaurant closed in 2023. The Anchor Bar restaurants listed are operated in locations ranging from approximately 4,500 to 7,500 square feet except for one Anchor Bar restaurant which is an "On the Fly" Anchor Bar restaurant. All of the Anchor Bar restaurants were closed for some portion of 2020, for weeks or months depending on the location, due to the public health crisis caused by the COVID-19 pandemic. Most Anchor Bar restaurants were only open at limited capacity for much of that year. Some locations operated food trucks for

portions of the disclosure period, but the sales from those food trucks were not significant. This is a historical financial performance representation based on the past performance of existing outlets. The sources of the data presented are the reports submitted by franchisees through the point-of-sale system designated by Anchor Bar.

**2019 Gross Sales
(See Note 1)**

Average	Median	High	Low
\$2,121,250	\$2,065,266	\$2,568,535	\$1,785,934

**2020 Gross Sales
(See Note 2)**

Average	Median	High	Low
\$1,535,483	\$1,523,548	\$2,909,630	\$999,862

**2021 Gross Sales
(See Note 2)**

Average	Median	High	Low
\$2,407,566	\$1,970,931	\$3,578,888	\$1,863,740

**2022 Gross Sales
(See Note 3)**

Average	Median	High	Low
\$2,512,189	\$2,437,554	\$3,376,604	\$1,697,241

**2023 Gross Sales
(See Note 4)**

Average	Median	High	Low
\$2,570,403	\$2,305,859	\$3,895,127	\$1,524,296

Notes:

- (1) There were four Anchor Bar franchised restaurants open for this year.
- (2) There were seven Anchor Bar restaurants open for this year.
- (3) There were nine Anchor Bar restaurants open for this year.
- (4) There were nine Anchor Bar restaurants open for this year.

Gross Sales from our affiliate-owned location and for non-traditional locations for the years 2019 through 2023 are set forth in the following chart. This is a historical financial performance representation based on the past performance of existing outlets. The sources of the data presented are the reports submitted to Anchor Bar through the point-of-sale system designated by Anchor Bar and the books and records of our affiliate.

<u>Affiliate Restaurant</u>	<u>Gross Sales Amount 2019</u>	<u>Gross Sales Amount 2020</u>	<u>Gross Sales Amount 2021</u>	<u>Gross Sales Amount 2022</u>	<u>Gross Sales Amount 2023</u>
Buffalo, New York	\$4,955,551	\$1,571,083	\$3,407,618	\$4,586,565	\$5,321,397
<u>Non-Traditional Location Restaurant</u>	<u>Gross Sales Amount 2019</u>	<u>Gross Sales Amount 2020</u>	<u>Gross Sales Amount 2021</u>	<u>Gross Sales Amount 2022</u>	<u>Gross Sales Amount 2023</u>
Airport	\$3,255,692	\$515,448	\$1,056,095	\$2,389,112	\$2,776,106
Theme Park (Note 1)	\$430,498	\$0	\$521,471	\$386,065	\$410,420
College (Note 2)	N/A	N/A	N/A	\$449,696	\$409,290

Notes

- 1. This location only had seasonal operations only and did not conduct operations in 2020 due to the COVID-19 public health crisis.
- 2. This location opened in 2021 and operates only during the school year.

The gross sales figures do not reflect the costs of sales, operating expenses or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of

the costs and expenses you will incur in operating your Anchor Bar restaurant. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of information.

We strongly recommend that you research and develop your own pro forma cash flow statement and make your own projections concerning potential sales, operating costs, capital investment requirements, debt, and other financial aspects of operating an Anchor Bar restaurant. You should consult with independent professional financial, tax and legal advisors.

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

Written substantiation for this financial performance representation will be made available to you upon reasonable request.

Other than as set forth above, 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 Mark Dempsey at 651 Delaware Avenue, Buffalo, New York 14202; telephone: (716) 853-1791, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

**Table No. 1
Systemwide Outlet Summary
For Years 2021 to 2023**

Outlet Type	Year	Outlets at Start of the Year	Outlets at End of the Year	Net Change
Franchised	2021	8	10	+2
	2022	10	12	+2
	2023	12	12	0
Affiliate-Owned	2021	1	1	0
	2022	1	1	0
	2023	1	1	0

Outlet Type	Year	Outlets at Start of the Year	Outlets at End of the Year	Net Change
Total Outlets	2021	9	11	+2
	2022	11	13	+2
	2023	13	13	0

Table No. 2
Transfers of Outlets from Franchisees to New Owners
(other than the Franchisor)
For Years 2021 to 2023

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Total	2021	0
	2022	0
	2023	0

Table No. 3
Status of Franchised Outlets
For Years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
California	2021	0	1	0	0	0	1	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Georgia	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Illinois	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Maryland	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
New York	2021	4	1	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
Texas	2021	2	1	0	0	0	0	3
	2022	3	1	0	0	0	0	4
	2023	4	0	1	0	0	0	3
Virginia	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
Total	2021	8	3	0	0	0	1	10
	2022	10	2	0	0	0	0	12
	2023	12	1	1	0	0	0	12

Table No. 4
Status of Affiliate-Owned Outlets
For Years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
New York	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Total	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1

Table No. 5
Projected New Franchised Outlets
As of December 31, 2023

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
Colorado	1	1	0
Florida	1	1	0
North Carolina	1	1	0
Ohio	1	1	0
South Carolina	1	1	0
Texas	5	3	0
Total	10	8	0

Attached to this Disclosure Document as part of Exhibit F is a list of the names, addresses and telephone numbers of all existing franchisees of Anchor Bar in the United States as of December 31, 2023.

Exhibit F also includes a list of the name, city and state, and current business, telephone number (or, if unknown, last known home telephone number) of every franchisee of Anchor Bar who has had his or her franchise terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement with Anchor Bar during the 12 months ended December 31, 2023 or who has not communicated with Anchor Bar or its representative within the 10 week period before the date this Franchise Disclosure Document was issued. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Anchor Bar's affiliate, Frank and Teressa's Anchor Bar, Inc., has operated a restaurant under the name "Anchor Bar" in downtown Buffalo, New York since 1935.

Anchor Bar's affiliate has a licensee that operates a restaurant under the name "Anchor Bar" at the Buffalo Niagara International Airport. There are also ghost kitchens offering limited Anchor Bar items operating in Brockport, New York and Chili, New York.

During the last three years, a former franchisee has signed a confidentiality clause that restricts it from discussing its experience with the franchise system.

ITEM 21

FINANCIAL STATEMENTS

Anchor Bar's fiscal year end is December 31. Attached as Exhibit C to this Franchise Disclosure Document are our audited financial statements and the related balance sheet and statements of operations, members' equity and cash flows for the years ended December 31, 2023, December 31, 2022 and December 31, 2021.

Anchor Bar adopted FASB ASC Topic 606 in its 2019 financial statements (effective January 1, 2019 (using the modified retrospective method).

ITEM 22

CONTRACTS

Attached are copies of the following agreements proposed for use in this state:

Exhibit D: Franchise Agreement and Addendum, if applicable

Exhibit B to the Franchise Agreement: Spousal Consent

Exhibit D to the Franchise Agreement: Guaranty and Assumption of Franchisee's Obligations

Exhibit H: SBA Addendum and Certification

Exhibit I: Form of General Release

If you choose to obtain an SBA loan from the lender of your choice, you and Anchor Bar will sign this Addendum which Anchor Bar has negotiated with the SBA. If the SBA imposes additional requirements on Anchor Bar, other than the annual certification, Anchor Bar will evaluate them and decide whether or not to agree with them.

ITEM 23

RECEIPT

Attached to the end of this Franchise Disclosure Document, following the Exhibits, is a receipt. Please sign it, date it the date you receive the Franchise Disclosure Document, and return it to us. Make sure that you indicate the franchise seller(s) with whom you had substantive discussions about this franchise. A duplicate of the receipt is attached for your records.

EXHIBIT A

EXHIBIT A

LIST OF STATE FRANCHISE ADMINISTRATORS

<u>State</u>	<u>Title of Administrator</u>	<u>Telephone Number</u>
California	Toll Free Number	(866) 275-2677
	Commissioner of Financial Protection and Innovation 320 W. 4th Street Suite 750 Los Angeles, California 90013-1259	(213) 576-7500
	or	
	One Sansome Street Suite 600 San Francisco, California 94104-4428	(415) 972-8565
	or	
Hawaii	1455 Frazee Road, Suite 315 San Diego, California 92108	(619) 610-2093
	or	
	2101 Arena Boulevard Sacramento, California 95834	(916) 445-7205
Hawaii	Commissioner of Securities 335 Merchant Street, RM 205 Honolulu, Hawaii 96813	(808) 586-2744
Illinois	Attorney General 500 South Second Street Springfield, Illinois 62701	(217) 782-4465
Indiana	Securities Commissioner 302 West Washington St., Rm. E-111 Indianapolis, Indiana 46204	(317) 232-6681
Maryland	Office of the Attorney General, Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021	(410) 576-6360

Michigan	Attorney General 525 West Ottawa Street G. Mennen Williams Building, 1 st Floor P.O. Box 30755 Lansing, Michigan 48909	(517) 335-7632
Minnesota	Commissioner of Commerce Main Office, Golden Rule Building 85 7th Place East, Suite 280 St. Paul, Minnesota 55101	(651) 539-1500
New York	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21 st Floor New York, New York 10005	(212) 416-8222
North Dakota	Securities Commissioner 600 East Boulevard Avenue State Capitol, Fifth Floor Bismarck, North Dakota 58505-0510	(701) 328-2910
Oregon	Director, Department of Consumer and Business Services 350 Winter Street NE P.O. Box 14480 Salem, Oregon 97309-0405	(503) 378-4100
Rhode Island	Director of Business Regulation Building 69-1 1511 Pontiac Avenue Cranston, Rhode Island 02920	(401) 462-9500
South Dakota	Director, Division of Insurance - Securities Regulation 124 S. Euclid, 2 nd Floor Pierre, South Dakota 57501	(605) 773-3563
Virginia	Director, Division of Securities and Retail Franchising Tyler Building, 9 th Floor 1300 East Main Street Richmond, Virginia 23219	(804) 371-9051

Washington	Director, Department of Financial Institutions 150 Israel Rd. SW Tumwater, Washington 98501	(360) 902-8760
Wisconsin	Commissioner of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705	(608) 266-2139

EXHIBIT B

EXHIBIT B

LIST OF AGENTS FOR SERVICE OF PROCESS ANCHOR BAR FRANCHISE & DEVELOPMENT, LLC

<u>State</u>	<u>Name and Address of Agent</u>
California	California Commissioner of Financial Protection and Innovation 320 West 4 th Street Suite 750 Los Angeles, California 90013-1259
Illinois	Illinois Attorney General 500 South Second Street Springfield, Illinois 62701
Indiana	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204
Maryland	Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2021
Michigan	Corporations, Securities and Land Development Bureau Michigan Department of Consumer and Industry Services 6546 Mercantile Way P.O. Box 30222 Lansing, Michigan 48909
New York	Attention: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492
Virginia	Clerk of the State Corporation Commission of Virginia 1300 East Main Street, 1 st Floor Richmond, Virginia 23219
Washington	Director of Financial Institutions Securities Division 150 Israel Rd SW Tumwater, WA 98501

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in

addition to those listed above in which we have appointed an agent for service of process.

EXHIBIT C

ANCHOR BAR FRANCHISE AND DEVELOPMENT, LLC

**Financial Statements as of
December 31, 2023 and 2022
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

March 13, 2024

To the Members of
Anchor Bar Franchise and Development, LLC:

Opinion

We have audited the accompanying financial statements of Anchor Bar Franchise and Development, LLC, which comprise the balance sheets as of December 31, 2023 and 2022, 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 Anchor Bar Franchise and Development, LLC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Anchor Bar Franchise and Development, 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 Anchor Bar Franchise and Development, 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 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 Anchor Bar Franchise and Development, 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 Anchor Bar Franchise and Development, 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.

Other Information Included in the Company's Franchise Disclosure Document

Management is responsible for the other information included in the Company's Franchise Disclosure Document. The other information comprises the information in the Franchise Disclosure Document and related Exhibits but it does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

ANCHOR BAR FRANCHISE & DEVELOPMENT, LLC

BALANCE SHEETS

AS OF DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 652,164	\$ 653,797
Accounts receivable	17,192	7,775
Royalties receivable	36,665	31,108
Related party receivable	3,388	-
Prepaid commissions	215,479	173,396
Inventory	16,549	12,758
Property and equipment, net	<u>9,037</u>	<u>8,723</u>
Total assets	<u>\$ 950,474</u>	<u>\$ 887,557</u>
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES:		
Accounts payable	\$ 79,604	\$ 71,258
Deferred initial franchise fee	556,231	465,306
Accrued gift card	66,806	71,302
Other accrued expenses	21,303	11,251
Related party payable	<u>207,547</u>	<u>168,998</u>
Total liabilities	931,491	788,115
MEMBERS' EQUITY	<u>18,983</u>	<u>99,442</u>
	<u>\$ 950,474</u>	<u>\$ 887,557</u>

The accompanying notes are an integral part of these statements.

ANCHOR BAR FRANCHISE & DEVELOPMENT, LLC

STATEMENTS OF INCOME AND MEMBERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
REVENUE:		
Royalties	\$ 1,276,690	\$ 1,105,082
Initial franchise fee	74,076	83,465
Purchasing rebates	<u>220,173</u>	<u>146,607</u>
Total revenue	1,570,939	1,335,154
OPERATING EXPENSE:		
Salaries	276,972	233,877
Administrative and management services	270,134	219,793
Payroll reimbursement	190,471	159,443
Professional services	104,481	154,936
Advertising and promotion	114,568	136,259
Commissions	50,917	69,450
Insurance	30,744	40,801
Trademark expense	36,337	32,007
Payroll taxes and fees	26,099	22,677
Franchise development	13,429	14,178
Printing and reproduction	10,246	14,048
Guaranteed payments	16,473	11,528
Technology	24,751	9,356
Office	16,558	3,945
State franchise tax expense	4,828	3,159
Depreciation	3,427	2,284
Bank charges	<u>1,208</u>	<u>1,018</u>
Total operating expense	<u>1,191,643</u>	<u>1,128,759</u>
Income from operations	379,296	206,395
OTHER INCOME	<u>21,733</u>	<u>12,637</u>
NET INCOME	401,029	219,032
MEMBERS' EQUITY - beginning of year	99,442	164,310
DISTRIBUTIONS TO MEMBERS	<u>(481,488)</u>	<u>(283,900)</u>
MEMBERS' EQUITY - end of year	<u>\$ 18,983</u>	<u>\$ 99,442</u>

The accompanying notes are an integral part of these statements.

ANCHOR BAR FRANCHISE & DEVELOPMENT, LLC

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	\$ 401,029	\$ 219,032
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation	3,427	2,284
Changes in:		
Accounts receivable	(9,417)	536
Royalties receivable	(5,557)	(10,823)
Related party receivable	(3,388)	-
Prepaid commissions	(42,083)	(81,550)
Inventory	(3,791)	(3,364)
Accounts payable	8,346	8,898
Deferred initial franchise fee	90,925	184,806
Accrued gift card	(4,496)	11,956
Other accrued expenses	10,052	4,851
Related party payable	<u>38,549</u>	<u>42,201</u>
Net cash flow from operating activities	483,596	378,827
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of equipment	<u>(3,741)</u>	<u>(8,426)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Distributions to members	<u>(481,488)</u>	<u>(283,900)</u>
CHANGE IN CASH	(1,633)	86,501
CASH - beginning of year	<u>653,797</u>	<u>567,296</u>
CASH - end of year	<u>\$ 652,164</u>	<u>\$ 653,797</u>

The accompanying notes are an integral part of these statements.

ANCHOR BAR FRANCHISE AND DEVELOPMENT, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. THE ORGANIZATION

Anchor Bar Franchise and Development, LLC (the "Company"), was formed on April 14, 2011 as a Delaware limited liability company.

The Company was formed to engage in the business of selling Anchor Bar franchises to qualified buyers and servicing those franchises. Qualified buyers would own and operate restaurants, as designed by the Company, using the system developed by the Company. The Company's business model is designed to allow the owners/operators of its franchises to enjoy the advantages of group buying and advertising and using the management and operational systems provided by the Company. Franchise operations are to be inspected on a periodic basis and franchise owners/operators have access to Company experts in order to assist them in developing their individual franchise operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Company's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

Recently Adopted Accounting Guidance Allowance for Credit Losses

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Company that are subject to the guidance in FASB ASC 326 were trade accounts receivables.

The Company adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

Cash

Cash includes bank demand deposit accounts and money market accounts. The Company's cash balances may at times exceed federally insured limits. The Company has not experienced any losses in these accounts and believes it is not exposed to any significant risk with respect to cash.

Receivables

Receivables are stated at the amount management expects to collect from customers. The Company provides credit in the normal course of business to the majority of its customers. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses

The Company recognizes an expected allowance for credit losses that is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist, and receivables evaluated individually when specific customer balances no longer share those risk characteristics and are considered at risk or uncollectible.

The estimated allowance for credit losses is based on historical, current, and expected future conditions. The historical component is derived from a review of the Company's historical losses relative to gross receivables and adjusted as appropriate for changes in current and expected future economic conditions. Based on this analysis, the expected credit losses were determined to be immaterial to the financial statements as of December 31, 2023 and 2022. Accordingly, no allowance for credit losses has been reflected in the financial statements.

The Company writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the entity's accounting policy election. The Company did not write off any receivables for the years ended December 31, 2023 and 2022.

Inventory

Inventory is stated at the lower of cost on the first-in, first-out (FIFO) method and net realizable value and consists of Anchor Bar branded clothing and supplies.

Property and Equipment

Property and equipment consists of computers, which are stated at cost less accumulated depreciation. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. When property and equipment are retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation. Any resultant gain or loss is credited or charged to the income statement.

Depreciation is provided for in amounts to relate to the cost of property and equipment to operations over their five year estimated useful lives on a straight-line basis.

Prepaid Commissions

The Company pays a commission in connection with successfully entering into certain franchise agreements. The commission is a percentage of the amount of the initial franchise fee. Commissions paid on the initial franchise fee are considered an incremental cost incurred with obtaining the franchise agreement. This cost is capitalized as prepaid commissions and is amortized ratably over the term of the agreement which is generally 10 years.

Deferred Initial Franchise Fee

Deferred Initial franchise fee represents the initial franchise fee received in advance of satisfying the performance obligation and is recognized ratably over the term of the agreement as the performance obligation is satisfied which is generally 10 years.

Revenue Recognition

The Company's revenue from franchise agreements consists of royalties based on a percent of the franchise location sales and initial franchise fees relating to the sale of new franchise agreements. The Company's revenue also consists of purchasing rebates from various vendors generated by the purchases made by the various franchise locations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Advertising costs are expensed as incurred and amounted to \$114,568 and \$136,259 for the years ended December 31, 2023 and 2022, respectively.

Income Taxes

The Company is a partnership for Federal and state income tax purposes. Federal and state income taxes are not payable by the Company. The members are taxed individually on their allocated share of partnership earnings. The Company is responsible for state imposed franchise taxes.

In 2023 and 2022, the Company elected the New York pass-through entity tax. The amount paid by the entity is allowed to be taken as a credit on the owner's tax return and is considered attributable to the owner. Therefore, the pass-through entity tax paid on behalf of the members in the amount of \$ - and \$12,000 was recorded as a distribution in the years ended December 31, 2023 and 2022, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts and disclosures that are included in these financial statements. Actual results could differ from management's estimates and assumptions.

3. REVENUE RECOGNITION

The Company's revenues from contracts with customers are generated primarily from ongoing royalties from franchise locations and initial franchise fee from the sale of new franchise agreements.

Royalties are recognized as revenue at the time the underlying franchise sales occur at the amount corresponding to the agreed upon percentage of sales the Company expects to receive. Royalty revenue is generally collected weekly. Royalty revenue and related receivables are recorded only when there is a reasonable expectation the revenue will be collected.

The initial franchise fee is recognized as revenue as the Company satisfies the performance obligation (licensing the Anchor Bar brand) over the term of the franchise agreement, which is generally 10 years. The initial franchise fee is generally collected at the start of the franchise agreement. As such, the initial franchise fee is deferred and recognized as revenue evenly over the term of the franchise agreement. Initial franchise fees are non-refundable. In the event the franchise is unable to successfully open the franchise location or is terminated prior to the end of the term of the franchise agreement, the remaining deferred revenue is recognized at that point in time.

The ongoing royalty revenue is dependent upon the operational activity of the various franchise locations. The initial franchise fee is dependent upon the Company successfully entering into new franchise agreements.

3. REVENUE RECOGNITION (Continued)

The number of operating franchise locations as of December 31, 2023 and 2022 is as follows:

Operating franchise locations as of January 1, 2022	12
New franchise locations opened	2
Operating franchise locations closed	<u>(1)</u>
Operating franchise locations as of December 31, 2022	<u>13</u>
New franchise locations opened	1
Operating franchise locations closed	<u>(1)</u>
Operating franchise locations as of December 31, 2023	<u><u>13</u></u>

As of December 31, 2023, the Company has franchise agreements for locations in Ohio, Florida, North Carolina, Texas, Colorado and South Carolina that are currently not in operation.

Receivables and Contract Liabilities

Receivables represent the Company's right to consideration that is unconditional, except for the passage of time.

Contract liabilities include the deferred initial franchise fee.

The beginning and ending receivables and deferred initial franchise fee were as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Accounts receivable	<u>\$ 17,192</u>	<u>\$ 7,775</u>	<u>\$ 8,311</u>
Royalties receivable	<u>\$ 36,665</u>	<u>\$ 31,108</u>	<u>\$ 20,285</u>
Deferred initial franchise fee	<u>\$ 556,231</u>	<u>\$ 465,306</u>	<u>\$ 280,500</u>

Initial franchise fee revenue recognized for the years ended December 31, 2023 and 2022 that was included in deferred revenue at the beginning of the year amounted to \$65,909 and \$69,215, respectively, which includes \$ - and \$25,000 of deferred franchise fee recognized for the franchise locations closed in each of the years ended December 31, 2023 and 2022, respectively. The aggregate amount of deferred revenue expected to be recognized in each of the next five years is as follows:

2023	\$ 79,909
2024	78,659
2025	76,192
2026	69,559
2027	62,676
Thereafter	<u>189,236</u>
	<u><u>\$ 556,231</u></u>

3. REVENUE RECOGNITION (Continued)

Purchasing Rebates

The Company also recognizes revenue from purchasing rebates, which is not a contract with a customer. As a condition in the franchise agreement, franchise locations are required to purchase certain products from designated vendors for which the Company receives a rebate from the vendor. Purchasing rebates are recognized as income at the time the rebates are received. Purchasing rebates are determined by the vendors based on the volume of purchases at the rates set out in the agreement between the vendor and the Company. Purchasing rebates are received in accordance with the terms of the contract which range from monthly to quarterly.

4. PREPAID COMMISSION

Prepaid commission amortized to commission expense for the years ended December 31, 2023 and 2022 amounted to \$25,917 and \$32,450, respectively, which includes \$ - and \$20,000 of prepaid commission recognized for the franchise locations closed in each of the years ended December 31, 2023 and 2022, respectively. The aggregate amount of prepaid commission expected to be amortized in each of the next five years is as follows:

2023	\$	29,250
2024		29,250
2025		28,583
2026		26,500
2027		20,662
Thereafter		<u>81,234</u>
	\$	<u>215,479</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Computers, net of accumulated depreciation of \$8,434 and \$5,007, respectively.	\$ <u>9,037</u>	\$ <u>8,723</u>

Depreciation expense totaled \$3,427 and \$2,284 for the years ended December 31, 2023 and 2022, respectively.

6. ACCRUED GIFT CARD

Gift cards are available for purchase at most locations in the United States and are available to be used at most locations in the United States. The Company has arranged with the participating locations to have funds from gift cards sold to be deposited into a Company bank account. When gift cards are redeemed, the funds are withdrawn from the Company bank account and deposited into the franchise location account. The accrued gift card liability represents the balance on gift cards that has not been redeemed. The Company does not recognize any revenue from the sale or redemption of gift cards.

7. MEMBERS' EQUITY

The Operating Agreement provides for one class of equity member. The rights of all members and their respective membership "units" are identical in all respects. Except as specified by law, no members are personally liable for obligations of the Company.

Distributions to or on behalf of members for the years ended December 31, 2023 and 2022 amounted to \$481,488 and \$283,900, respectively.

Guaranteed payments to a member for the years ended December 31, 2023 and 2022 amounted to \$16,473 and \$11,528, respectively.

8. TRADEMARKS/TRADE NAMES

The Company has licensed the use of various trademarks/trade names from an entity related through common ownership. The license agreement calls for the Company to pay a royalty of 3% of the initial franchise fee and royalty fees it receives from franchisees. The trademarks/trade names are being sub-licensed to the franchisees as part of the franchise agreement. Trademark expense was \$36,337 and \$32,007 for the years ended December 31, 2023 and 2022, respectively.

9. RELATED PARTY TRANSACTIONS

The Company periodically borrows and loans money to entities related through common ownership. The Company had a related party payable of \$207,547 and \$168,998 as of December 31, 2023 and 2022, respectively. The Company also had a related party receivable of \$3,388 and \$ - as of December 31, 2023 and 2022, respectively.

The Company pays an administrative and management fee to an entity related through common ownership in exchange for various administrative and management services provided to the Company. The fee is calculated as the amount equal to 17% of the Company's revenue. The administrative and management fee incurred was \$270,134 and \$219,793 for the years ended December 31, 2023 and 2022, respectively. The Company also reimburses the related party for direct payroll costs. Payroll costs reimbursed were \$190,471 and \$159,443 for the years ended December 31, 2023 and 2022, respectively.

10. ASSIGNMENT AGREEMENT

An entity related to the Company by common ownership has assigned a license agreement to the Company. The royalty fees earned amounted to \$83,283 and \$71,673 for the years ended December 31, 2023 and 2022, respectively.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 13, 2024, which is the date the financial statements were available to be issued.

ANCHOR BAR FRANCHISE AND DEVELOPMENT, LLC

**Financial Statements as of
December 31, 2022 and 2021
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

March 8, 2023

To the Members of
Anchor Bar Franchise and Development, LLC:

Opinion

We have audited the accompanying financial statements of Anchor Bar Franchise and Development, LLC, which comprise the balance sheets as of December 31, 2022 and 2021, 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 Anchor Bar Franchise and Development, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Anchor Bar Franchise and Development, 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 Anchor Bar Franchise and Development, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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(Continued)

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 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 Anchor Bar Franchise and Development, 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 Anchor Bar Franchise and Development, 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.

Other Information Included in the Company's Franchise Disclosure Document

Management is responsible for the other information included in the Company's Franchise Disclosure Document. The other information comprises the information in the Franchise Disclosure Document and related Exhibits but it does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

ANCHOR BAR FRANCHISE & DEVELOPMENT, LLC

BALANCE SHEETS

AS OF DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 653,797	\$ 567,296
Accounts receivable	7,775	8,311
Royalties receivable	31,108	20,285
Prepaid commissions	173,396	91,846
Inventory	12,758	9,394
Property and equipment, net	<u>8,723</u>	<u>2,581</u>
Total assets	<u>\$ 887,557</u>	<u>\$ 699,713</u>
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES:		
Accounts payable	\$ 71,258	\$ 62,360
Deferred initial franchise fee	465,306	280,500
Accrued gift card	71,302	59,346
Other accrued expenses	11,251	6,400
Related party payable	<u>168,998</u>	<u>126,797</u>
Total liabilities	788,115	535,403
MEMBERS' EQUITY	<u>99,442</u>	<u>164,310</u>
	<u>\$ 887,557</u>	<u>\$ 699,713</u>

The accompanying notes are an integral part of these statements.

ANCHOR BAR FRANCHISE & DEVELOPMENT, LLC

STATEMENTS OF INCOME AND MEMBERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUE:		
Royalties	\$ 1,105,082	\$ 876,801
Initial franchise fee	83,465	96,342
Purchasing rebates	<u>146,607</u>	<u>107,557</u>
Total revenue	1,335,154	1,080,700
OPERATING EXPENSE:		
Salaries	233,877	171,346
Administrative and management services	219,793	224,794
Payroll reimbursement	159,443	127,441
Professional services	154,936	95,468
Advertising and promotion	136,259	110,974
Commissions	69,450	27,700
Insurance	40,801	22,103
Trademark expense	32,007	27,402
Payroll taxes and fees	22,677	16,910
Franchise development	14,178	6,998
Printing and reproduction	14,048	5,423
Guaranteed payments	11,528	12,111
Technology	9,356	11,950
Office	3,945	2,566
State franchise tax expense	3,159	3,893
Depreciation	2,284	1,064
Bank charges	<u>1,018</u>	<u>1,421</u>
Total operating expense	<u>1,128,759</u>	<u>869,564</u>
Income from operations	206,395	211,136
OTHER INCOME	<u>12,637</u>	<u>18,972</u>
NET INCOME	219,032	230,108
MEMBERS' EQUITY - beginning of year	164,310	165,822
DISTRIBUTIONS TO MEMBERS	<u>(283,900)</u>	<u>(231,620)</u>
MEMBERS' EQUITY - end of year	<u>\$ 99,442</u>	<u>\$ 164,310</u>

The accompanying notes are an integral part of these statements.

ANCHOR BAR FRANCHISE & DEVELOPMENT, LLC

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	\$ 219,032	\$ 230,108
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation	2,284	1,064
Changes in:		
Accounts receivable	536	(2,569)
Royalties receivable	(10,823)	(12,784)
Related party receivable	-	21,015
Prepaid commissions	(81,550)	(12,300)
Inventory	(3,364)	1,531
Accounts payable	8,898	24,900
Deferred initial franchise fee	184,806	11,658
Accrued gift card	11,956	12,298
Other accrued expenses	4,851	5,900
Related party payable	<u>42,201</u>	<u>111,508</u>
Net cash flow from operating activities	378,827	392,329
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of equipment	<u>(8,426)</u>	<u>-</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Distributions to members	<u>(283,900)</u>	<u>(231,620)</u>
CHANGE IN CASH	86,501	160,709
CASH - beginning of year	<u>567,296</u>	<u>406,587</u>
CASH - end of year	<u>\$ 653,797</u>	<u>\$ 567,296</u>

The accompanying notes are an integral part of these statements.

ANCHOR BAR FRANCHISE AND DEVELOPMENT, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

1. THE ORGANIZATION

Anchor Bar Franchise and Development, LLC (the "Company"), was formed on April 14, 2011 as a Delaware limited liability company.

The Company was formed to engage in the business of selling Anchor Bar franchises to qualified buyers and servicing those franchises. Qualified buyers would own and operate restaurants, as designed by the Company, using the system developed by the Company. The Company's business model is designed to allow the owners/operators of its franchises to enjoy the advantages of group buying and advertising and using the management and operational systems provided by the Company. Franchise operations are to be inspected on a periodic basis and franchise owners/operators have access to Company experts in order to assist them in developing their individual franchise operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Company's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

Cash

Cash includes bank demand deposit accounts and money market accounts. The Company's cash balances may at times exceed federally insured limits. The Company has not experienced any losses in these accounts and believes it is not exposed to any significant risk with respect to cash.

Allowance for Doubtful Accounts

Accounts receivable are stated at outstanding billed amounts, net of allowances for doubtful accounts. The Company estimates the allowance based on past credit history with customers and their ability to pay, known and inherent collection risks, and current economic conditions. Balances are written off against the allowance when collection efforts have ceased. As of December 31, 2022 and 2021, the Company considered its accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts was recorded.

Inventory

Inventory is stated at the lower of cost on the first-in, first-out (FIFO) method and net realizable value and consists of Anchor Bar branded clothing and supplies.

Property and Equipment

Property and equipment consists of computers, which are stated at cost less accumulated depreciation. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. When property and equipment are retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation. Any resultant gain or loss is credited or charged to the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Depreciation is provided for in amounts to relate to the cost of property and equipment to operations over their five year estimated useful lives on a straight-line basis.

Prepaid Commissions

The Company pays a commission in connection with successfully entering into certain franchise agreements. The commission is a percentage of the amount of the initial franchise fee. Commissions paid on the initial franchise fee are considered an incremental cost incurred with obtaining the franchise agreement. This cost is capitalized as prepaid commissions and is amortized ratably over the term of the agreement which is generally 10 years.

Deferred Revenue

Deferred revenue represents the initial franchise fee received in advance of satisfying of the performance obligation and is recognized ratably over the term of the agreement as the performance obligation is satisfied which is generally 10 years.

Revenue Recognition

The Company's revenue from franchise agreements consists of royalties based on a percent of the franchise location sales and initial franchise fees relating to the sale of new franchise agreements. The Company's revenue also consists of purchasing rebates from various vendors generated by the purchases made by the various franchise locations.

Advertising Costs

Advertising costs are expensed as incurred and amounted to \$136,259 and \$110,974 for the years ended December 31, 2022 and 2021, respectively.

Income Taxes

The Company is a partnership for Federal and state income tax purposes. Federal and state income taxes are not payable by the Company. The members are taxed individually on their allocated share of partnership earnings. The Company is responsible for state imposed franchise taxes.

In 2022 and 2021, the Company elected the New York pass-through entity tax. The amount paid by the entity is allowed to be taken as a credit on the owner's tax return and is considered attributable to the owner. Therefore, the pass-through entity tax paid on behalf of the members in the amount of \$12,000 and \$5,000 was recorded as a distribution in the years ended December 31, 2022 and 2021, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts and disclosures that are included in these financial statements. Actual results could differ from management's estimates and assumptions.

3. REVENUE RECOGNITION

The Company's revenues from contracts with customers are generated primarily from ongoing royalties from franchise locations and initial franchise fee from the sale of new franchise agreements.

3. REVENUE RECOGNITION (Continued)

Royalties are recognized as revenue at the time the underlying franchise sales occur at the amount corresponding to the agreed upon percentage of sales the Company expects to receive. Royalty revenue is generally collected weekly. Royalty revenue and related receivables are recorded only when there is a reasonable expectation the revenue will be collected.

The initial franchise fee is recognized as revenue as the Company satisfies the performance obligation (licensing the Anchor Bar brand) over the term of the franchise agreement, which is generally 10 years. The initial franchise fee is generally collected at the start of the franchise agreement. As such, the initial franchise fee is deferred and recognized as revenue evenly over the term of the franchise agreement. Initial franchise fees are non-refundable. In the event the franchise is unable to successfully open the franchise location or is terminated prior to the end of the term of the franchise agreement, the remaining deferred revenue is recognized at the point of time.

The ongoing royalty revenue is dependent upon the operational activity of the various franchise locations. The initial franchise fee is dependent upon the Company successfully entering into new franchise agreements.

The number of operating franchise locations as of December 31, 2022 and 2021 is as follows:

Operating franchise locations as of December 31, 2020	10
New franchise locations opened	3
Operating franchise locations closed	<u>(1)</u>
Operating franchise locations as of December 31, 2021	<u>12</u>
New franchise locations opened	2
Operating franchise locations closed	<u>(1)</u>
Operating franchise locations as of December 31, 2022	<u><u>13</u></u>

As of December 31, 2022, the Company has franchise agreements for locations in Ohio, Florida, North Carolina, Virginia, and Texas that are currently not in operation.

Receivables and Contract Liabilities

Receivables represent the Company's right to consideration that is unconditional, except for the passage of time.

Contract liabilities include the deferred initial franchise fee.

The beginning and ending royalties receivable and deferred initial franchise fee were as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Accounts receivable	<u>\$ 7,775</u>	<u>\$ 8,311</u>	<u>\$ 5,742</u>
Royalties receivable	<u>\$ 31,108</u>	<u>\$ 20,285</u>	<u>\$ 7,501</u>
Deferred initial franchise fee	<u>\$ 465,306</u>	<u>\$ 280,500</u>	<u>\$ 268,842</u>

3. REVENUE RECOGNITION (Continued)

Royalties Receivables and Contract Liabilities (Continued)

Initial franchise fee revenue recognized for the years ended December 31, 2022 and 2021 that was included in deferred revenue at the beginning of the year amounted to \$69,215 and \$94,292, respectively, which includes \$25,000 and \$51,690 of deferred franchise fee recognized for the franchise locations closed in each of the years ended December 31, 2022 and 2021, respectively. The aggregate amount of deferred revenue expected to be recognized in each of the next five years is as follows:

2023	\$	65,909
2024		63,409
2025		62,159
2026		59,692
2027		53,059
Thereafter		<u>161,078</u>
	\$	<u>465,306</u>

Purchasing Rebates

The Company also recognizes revenue from purchasing rebates, which is not a contract with a customer. As a condition in the franchise agreement, franchise locations are required to purchase certain products from designated vendors for which the Company receives a rebate from the vendor. Purchasing rebates are recognized as income at the time the rebates are received. Purchasing rebates are determined by the vendors based on the volume of purchases at the rates set out in the agreement between the vendor and the Company. Purchasing rebates are received in accordance with the terms of the contract which range from monthly to quarterly.

4. PREPAID COMMISSION

Prepaid commission amortized to commission expense for the years ended December 31, 2022 and 2021 amounted to \$32,450 and \$27,700, respectively, which includes \$20,000 and \$12,750 of prepaid commission recognized for the franchise locations closed in each of the years ended December 31, 2022 and 2021, respectively. The aggregate amount of prepaid commission expected to be amortized in each of the next five years is as follows:

2023	\$	22,450
2024		22,450
2025		22,450
2026		21,783
2027		19,700
Thereafter		<u>64,563</u>
	\$	<u>173,396</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Computers, net of accumulated depreciation of \$5,007 and \$2,723, respectively.	\$ <u>8,723</u>	\$ <u>2,581</u>

Depreciation expense totaled \$2,284 and \$1,064 for the years ended December 31, 2022 and 2021, respectively.

6. ACCRUED GIFT CARD

Gift cards are available for purchase at most locations in the United States and are available to be used at most locations in the United States. The Company has arranged with the participating locations to have funds from gift cards sold to be deposited into a Company bank account. When gift cards are redeemed, the funds are withdrawn from the Company bank account and deposited into the franchise location account. The accrued gift card liability represents the balance on gift cards that has not been redeemed. The Company does not recognize any revenue from the sale or redemption of gift cards.

7. MEMBERS' EQUITY

The Operating Agreement provides for one class of equity member. The rights of all members and their respective membership "units" are identical in all respects. Except as specified by law, no members are personally liable for obligations of the Company.

Distributions to or on behalf of members for the years ended December 31, 2022 and 2021 and 2021 amounted to \$283,900 and \$231,620, respectively.

Guaranteed payments to a member for the years ended December 31, 2022 and 2021 amounted to \$11,528 and \$12,111, respectively.

8. TRADEMARKS/TRADE NAMES

The Company has licensed the use of various trademarks/trade names from an entity related through common ownership. The license agreement calls for the Company to pay a royalty of 3% of the initial franchise fee and royalty fees it receives from franchisees. The trademarks/trade names are being sub-licensed to the franchisees as part of the franchise agreement. Trademark expense was \$32,007 and \$27,402 for the years ended December 31, 2022 and 2021, respectively.

9. RELATED PARTY TRANSACTIONS

The Company periodically borrows and loans money to entities related through common ownership. The Company had a related party payable of \$168,998 and \$126,797 as of December 31, 2022 and 2021, respectively.

9. RELATED PARTY TRANSACTIONS (CONTINUED)

The Company pays an administrative and management fee to an entity related through common ownership in exchange for various administrative and management services provided to the Company. The fee is calculated as the amount equal to 17% of the Company's monthly total income. For the year ended December 31, 2021, the fee was 20%. The administrative and management fee incurred was \$219,793 and \$224,794 for the years ended December 31, 2022 and 2021, respectively. The Company also reimburses the related party for direct payroll costs. Payroll costs reimbursed were \$159,443 and \$127,441 for the years ended December 31, 2022 and 2021, respectively.

10. ASSIGNMENT AGREEMENT

An entity related to the Company by common ownership has assigned a license agreement to the Company. The royalty fees earned amounted to \$71,673 and \$31,683 for the years ended December 31, 2022 and 2021, respectively. The Company did not owe any commissions to the related party as of December 31, 2022 and 2021.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 8, 2023, which is the date the financial statements were available to be issued.

EXHIBIT D

ANCHOR BAR FRANCHISE & DEVELOPMENT, LLC
Franchise Agreement

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EXHIBITS

Exhibit A	Location of Restaurant; Territory
Exhibit B	Location Addendum
Exhibit C	Spousal Consent
Exhibit D	Information Regarding Non-Individual Franchisees
Exhibit E	Guaranty and Assumption of Franchisee's Obligations

ANCHOR BAR FRANCHISE AGREEMENT

THIS AGREEMENT is entered into by and between Anchor Bar Franchise & Development, LLC, a Delaware limited liability company, with its principal business address located at 651 Delaware Avenue, Buffalo, New York 14202 (the "**Franchisor**"), and _____ a(n) _____ with its principal business address located at: _____ (the "**Franchisee**"), with respect to the following facts:

RECITALS

(a) Franchisor has the right to use and license the use of the mark ANCHOR BAR and related names, trademarks, service marks, logos, copyrights, designs, emblems, slogans, commercial symbols and other indicia and associated goodwill now or hereafter designated for use by Franchisor and any and all revisions, modifications and additions thereto, whether or not recorded or registered with the United States Patent and Trademark Office or any other local, state, federal or foreign agency, registrar or body (the "**Marks**") in the operation of a restaurant featuring buffalo wings, other food items and a full bar (the "**Restaurant**").

(b) Franchisor has also developed, and may continue to develop and change, standards and specifications for products and services to be offered in Restaurants, lists of approved and designated suppliers, trade dress, and other items involved in the operation of Restaurants (the "**System**").

(c) Franchisee is experienced and skilled in the operation of restaurants.

(d) Franchisor desires to grant to Franchisee, and Franchisee desires to obtain from Franchisor, the right to establish and operate a Restaurant in accordance with the System.

NOW, THEREFORE, in consideration of these premises and the mutual covenants contained herein, the sufficiency of which is acknowledged by the parties, the parties agree as follows:

1. GRANT OF FRANCHISE

Subject to the terms and conditions of this Agreement, Franchisor grants to Franchisee a license to use the Marks and the System solely in the operation of a Restaurant at one (1) location within the Territory, as defined below (the "**Franchised Restaurant**"). Adherence to the standards and policies of the System is essential for the continued operation of the franchise granted by this Agreement.

2. LOCATION AND PROTECTED TERRITORY

(a) Location. The location for the Franchised Restaurant is set forth in **Exhibit A** attached hereto and incorporated by this reference. If the location of the Franchised Restaurant has not been determined at the time Franchisee and Franchisor sign this Agreement, then it shall be determined as provided in Section 3 below.

(b) Territory. Provided that Franchisee is in full compliance with this Agreement, Franchisor shall not open and operate, or franchise another party to open and operate, another Restaurant in the area described in **Exhibit A** and identified therein as the

territory (the “**Territory**”), except in locations such as airports, hotels, convention centers, sports arenas and stadiums, casinos, college campuses, amusement parks, supermarkets, box stores, museums or similar venues and except for traveling food trucks which may operate in the Territory from time to time. Franchisor and its affiliates also reserve the right to sell the Proprietary Products, as defined below, in the Territory through any channel of distribution. In the event Franchisor acquires or is acquired by a restaurant or other food service company (whether by ownership purchase, or purchase of assets), Franchisee agrees and acknowledges that there may be other restaurants or food service operations operated by Franchisor, its affiliate or their respective franchisees or licensees in the Territory and that such restaurants or food service operations may be similar to or competitive with the Franchised Restaurant. Franchisee also acknowledges that those operations may increase and after the acquisition, there may be additional such restaurants and food service operations.

(c) Franchisor’s Reservation of Rights. Franchisor reserves all rights not specifically granted to Franchisee hereunder. In particular, and not in limitation of the foregoing, Franchisor reserves the right to conduct businesses using marks or commercial symbols different from the Marks either within or outside of the Territory. Franchisor also reserves the right to use the Marks, and license the right to others to use the Marks, for purposes other than operating a full service restaurant. Franchisor also reserves the right to conduct all commerce over the Internet and other means of electronic commerce as may in the future be developed, and Franchisee has no right to do so except as may be specifically permitted hereunder.

3. SITE SELECTION AND OPENING

(a) Geographic Area. If Franchisee has not identified a location for the Franchised Restaurant as of the date of this Agreement, Franchise shall look for a location within the geographic area described in **Exhibit A** attached hereto (the “**Geographic Area**”). Franchisee acknowledges and agrees that it does not have any territorial or exclusive rights whatsoever with regards to the Geographic Area and that there may be other franchisees seeking locations in or near the Geographic Area.

(b) Real Estate Representative. If Franchisor designates a real estate representative or a real estate firm that Franchisee must use to look for a location for the Franchised Restaurant, Franchisee must use such representative or firm.

(c) Site Selection. Franchisee is responsible for locating, obtaining financing for, securing appropriate zoning and permits for and equipping the site for the Franchised Restaurant. Franchisee shall provide Franchisor with all relevant information concerning the proposed site in the Geographic Area including the zoning of the site, demographic information about the surrounding area, locations of any similar or complementary businesses, traffic flow, parking, rent, size, layout and such other information as Franchisor may require. Franchisor will accept or reject the proposed site within twenty (20) days after it receives notice thereof and all relevant information. Franchisee must obtain Franchisor’s acceptance of a site for the Franchised Restaurant within two hundred seventy (270) days after execution of this Agreement if Franchisee is leasing the location of the Franchised Restaurant, or within one (1) year after execution of this Agreement if Franchisee is building the location of the Franchised Restaurant. Franchisor may extend Franchisee’s obligation to identify the location up to ninety (90) days provided that Franchisor determines Franchisee is diligently taking steps to identify a location. At such time that Franchisee identifies and Franchisor consents to, a location for the Franchised Business within the Geographic Area pursuant to the procedures set forth in this section,

Franchisor and Franchisee shall execute a separate addendum to this Agreement, substantially in the form of **Exhibit B** attached hereto, identifying the location and the Territory.

(d) **Lease.** Franchisee shall not sign a lease or contract for the location without receiving Franchisor's prior written consent. Franchisee shall fully perform all obligations to be performed by Franchisee under the lease or contract and shall immediately upon receipt of any notice of violation from the lessor or other party to the contract deliver a copy of such notice to Franchisor together with a statement of the steps proposed to be taken by Franchisee in response to the notice. The lease or contract must contain such additional terms and conditions as Franchisor may require to provide for the protection of Franchisor's rights and interests, including but not limited to a conditional lease assignment to Franchisor or its nominee in a form acceptable to Franchisor, and including the following:

(i) the absolute and unconditional right of Franchisee to assign its interest in the lease or contract to Franchisor or Franchisor's nominee at any time without the consent of the landlord and without rent increase or penalty;

(ii) the landlord's acknowledgment (or Franchisee's acknowledgement, if a contract) that Franchisee shall not assign or transfer the lease or contract or any of its rights thereunder or grant any sublease thereunder without the prior written consent of Franchisor;

(iii) the landlord's consent to Franchisee's use of such signage as Franchisor may require;

(iv) the obligation of the landlord to notify Franchisor in writing of any default by Franchisee of any of the terms and conditions of the lease;

(v) that no amendment, addition, or other modification or change be made to the lease or contract without obtaining the prior written consent of Franchisor;

(vi) that upon expiration or termination for any reason of this Agreement, Franchisee's rights under the lease or contract shall, at the option of Franchisor, be transferred and assigned to Franchisor or its nominee without rent increase or penalty immediately upon notice by Franchisor;

(vii) Franchisee's acknowledgment that the landlord may rely upon any notice from Franchisor and shall not be required to inquire into the due execution of such notice or the accuracy of the statements set forth in such notice;

(viii) that such notice shall, without further act or formality, operate as an effective assignment of Franchisee's rights under the lease to Franchisor or its nominee without rent increase or penalty, and the assumption by Franchisor or its nominee of the covenants required to be observed or performed by Franchisee under the lease; provided, however, that landlord agrees and acknowledges that Franchisor and its nominee, if any, shall not assume, and shall have no obligation to the landlord with respect to, any liabilities arising from or relating to Franchisee's actions, failure to act or defaults prior to the assignment of the lease;

(ix) Franchisee's acknowledgment that the landlord shall upon the written request of Franchisor, disclose to Franchisor all reports, information or data in the

landlord's possession about the property including without limitation, sales made in, upon or from the demised premises;

(x) the landlord's acknowledgment that this Agreement contains a right on the part of Franchisor, in the event of expiration or termination of this Agreement for any reason whatsoever, to enter the premises and to make any alterations in the exterior or interior decor and signage as Franchisor deems necessary to remove its identification with Franchisor as required by this Agreement and, in the event of the exercise by Franchisor of such right, the landlord further acknowledges that such re-entry by Franchisor shall not constitute an assignment of the lease nor a subletting of the demised premises; and

(xi) that Franchisor shall be a third party beneficiary under the lease.

(e) Site Development. Franchisee shall develop the site and construct or remodel and equip the Franchised Restaurant, all in accordance with Franchisor's requirements. Franchisor shall provide Franchisee with drawings for a conceptual appearance of a Restaurant. Franchisee shall be solely responsible for obtaining the architectural plans for the location. The architectural floor plans are subject to Franchisor's acceptance.

(f) Construction Standards. Franchisee shall be responsible for the establishment and completion of the Franchised Restaurant, including construction or remodeling and equipment installation. Franchisee's full construction drawings, plans and specifications are subject to Franchisor's prior written consent. Franchisee shall secure all necessary permits to construct or remodel the Franchised Restaurant. Any changes to the plans and specifications, if necessary to meet the requirements of applicable codes and regulations, will be subject to Franchisor's prior review and consent.

(g) Décor. Franchisee acknowledges that each and every detail of the appearance, design, décor, layout, decorations, menu, paint colors, theme, graphics, photographs, advertising, and other elements of trade dress in the operation of the Franchised Restaurant (the "**Trade Dress**") is important to Franchisor and the System. Franchisee shall comply with all mandatory specifications, standards and operating procedures relating to (1) the appearance, color, indicia, signage and background music for the Franchised Restaurant premises; (2) the layout and design of the Franchised Restaurant; (3) the menu design and graphics; (4) the appearance of employees; (5) cleanliness, standards of services, and operation of the Franchised Restaurant; and (6) procedures and programs prescribed by Franchisor. Mandatory specifications, standards, and operating procedures may be prescribed from time to time by Franchisor in the Operations Manual, as defined below, or otherwise communicated to Franchisee in writing.

(h) Opening. Franchisor may evaluate and decide whether or not to authorize Franchisee to open the Franchised Restaurant. Franchisor may require that Franchisor or its representative conduct an on-site inspection prior to opening. Franchisee shall open the Franchised Restaurant within five hundred forty (540) days after signing this Agreement if Franchisee is building a location or four hundred fifty (450) days after signing this Agreement if Franchisee is leasing a location. Franchisor may extend Franchisee's obligation to open the Franchised Restaurant for up to an additional one hundred eighty (180) days if Franchisee is building a location to up to seven hundred twenty (720) days after signing this Agreement, and Franchisee's obligation to open the Franchised Restaurant for an additional ninety (90) days if Franchisee is leasing a location to up to five hundred forty (540) days after

signing this Agreement, provided that Franchisor determines Franchisee is diligently taking steps to open the location.

(i) Relocation. Franchisee may not relocate the Franchised Restaurant, or open additional locations, without Franchisor's prior written consent.

ALTHOUGH FRANCHISOR MAY HAVE DESIGNATED A REAL ESTATE REPRESENTATIVE OR REAL ESTATE FIRM AND MAY HAVE BEEN INVOLVED IN THE SITE SELECTION PROCESS AND IN SITE DEVELOPMENT AND MAY HAVE REVIEWED INFORMATION ON THE SITE, THE LEASE, AND OTHER ASPECTS OF THE DEVELOPMENT OF THE FRANCHISED RESTAURANT, FRANCHISOR MAKES NO WARRANTY, REPRESENTATION OR GUARANTY OF ANY KIND WITH RESPECT TO THE REAL ESTATE REPRESENTATIVE OR FIRM, THE LOCATION, THE LEASE, OR THE SUCCESS OR PROFITABILITY OF THE BUSINESS TO BE OPERATED AT SUCH LOCATION.

4. TERM OF AGREEMENT

This Agreement shall commence on the date it is signed by Franchisor and shall continue for ten (10) years, subject to earlier termination as provided herein. The term of the lease (including options) Franchisee enters into for the location shall be for such period of time.

5. RENEWAL OF FRANCHISE

Subject to compliance with each and every one of the conditions set forth below, Franchisee has the option to renew the right to operate the Franchised Restaurant for two (2) additional, consecutive periods of five (5) years:

(a) Written Notice. Franchisee gives Franchisor written notice of its election to renew not less than one hundred eighty (180) days prior to the expiration of the term or preceding renewal term, as applicable, and signs and returns all requisite documents to Franchisor within twenty (20) days of Franchisee's receipt thereof;

(b) No Default. Franchisee, when notice is given and at the time of renewal, is not in default of any material provision of either this Agreement or any other agreement between Franchisee and Franchisor or their affiliates;

(c) No Monetary Obligations Outstanding. All monetary obligations owed by Franchisee to Franchisor or its affiliate have been satisfied prior to renewal;

(d) Renewal Fee. Franchisee shall pay Franchisor the sum of Three Thousand Dollars (\$3,000) as a renewal fee upon delivery of notice to Franchisor as required in Subsection 5(a) above;

(e) General Release. Franchisee (and its principals if Franchisee is an entity) must execute and deliver a general release of Franchisor and its affiliates, officers, directors, owners, employees, agents and representatives in a form acceptable to Franchisor;

(f) Lease. Franchisee furnishes Franchisor with a copy of a lease for the Franchised Restaurant premises indicating that Franchisee has the right to the premises for the renewal term;

(g) Updates. The Franchised Restaurant must meet Franchisor's then-current requirements or Franchisee must make all expenditures necessary to update the Franchised Restaurant to meet those requirements;

(h) Re-Training. Franchisee or its Manager, if applicable, and those of Franchisee's other personnel as Franchisor deems necessary shall have successfully completed any retraining or refresher training course Franchisor may require;

(i) Current Agreement. Franchisee shall sign Franchisor's then-current form of Franchise Agreement adjusted to reflect the renewal term. The then-current form of Franchise Agreement may contain terms that are materially different from those set forth in this Agreement;

(j) No Repeated Defaults. Franchisee shall not have, during the term of this Agreement or the preceding renewal term, as applicable, received three (3) or more notices of default in any twenty-four (24) month period;

(k) No Withdrawal. Franchisor must not have decided to withdraw from the Territory; and

(l) New Franchisee Requirements. Franchisee must meet all relevant requirements for new franchisees.

6. FEES

(a) Initial Franchise Fee. In consideration of the franchise granted herein, Franchisee shall pay to Franchisor an initial franchise fee in the amount of Fifty-Five Thousand Dollars (\$55,000.00) in full upon execution of this Agreement. The initial franchise fee is deemed to be fully earned immediately upon payment, and is nonrefundable.

(b) Royalty Fee. Franchisee shall pay to Franchisor, commencing on the date the Franchised Restaurant opens and for the remainder of the term, a fee equal to five percent (5%) of the Gross Revenues generated by the Franchised Restaurant (the "**Royalty Fee**"). "**Gross Revenues**" means the entire gross receipts of every kind and nature from all products sold in or from the Franchised Restaurant or services performed by Franchisee including, without limitation, gross receipts from take-out orders, delivery (including without limitation, payments from third party delivery services), catering and special events, without reserve or deduction for inability or failure to collect, but subject to the rules of any discount, coupon and gift certificate programs adopted by Franchisor, and excluding only the following: (i) the amount of any sales tax levied upon retail sales which is payable to the appropriate governmental authorities (and subsequently actually paid to such authorities); and (ii) refunds made in good faith to customers in accordance with Franchisor's policies.

(c) Advertising Fee. Commencing on the date the Restaurant opens, Franchisee shall pay to Franchisor an advertising fee equal to up to three percent (3%) of Gross Revenues (the "**Advertising Fee**"). Franchisor initially designates the Advertising Fee to equal one percent (1%) of Gross Revenues, as of the date of this Agreement, but this designation is subject to change by Franchisor at any time.

(d) Dishonored Payment Fee. In addition to any bank fees or penalties Franchisor must pay as a result of Franchisee's returned check or other dishonored form of

payment, Franchisee shall pay to Franchisor all other late fees and One Hundred Dollars (\$100.00) for each occurrence upon demand by Franchisor. In such event, Franchisor may also require Franchisee to make all future payments by money order, cashier's check or a similar method of payment of immediately available funds.

(e) Mystery Shopper Fee. If Franchisor establishes a mystery shopper program, Franchisee must pay the cost of such a program. Franchisor may collect this amount on behalf of a third party supplier.

(f) Relocation Fee. If Franchisor approves Franchisee's request to relocate the Franchised Restaurant, Franchisee must pay to Franchisor a fee equal to twenty-five percent (25%) of Franchisor's then-current initial franchise fee upon demand by Franchisor.

(g) Management Fee. If Franchisee is in default under this Agreement, Franchisor may elect, but is not required to, operate the Franchised Restaurant. In the event that Franchisor exercises this option, Franchisee must pay Franchisor its then-current management fee (the "**Management Fee**").

(h) Technology Fee. Franchisor shall notify Franchisee on a weekly basis the amount that Franchisee must pay Franchisor as a technology fee (the "**Technology Fee**"). The Technology Fee is payable at the same time as the Continuing Royalty Fee and is nonrefundable.

(i) Quality Service Compliance (QSC) Audit Fees. If Franchisor conducts a QSC audit of the Franchised Restaurant, Franchisee shall pay Franchisor a QSC audit fee of Two Hundred Fifty Dollars (\$250.00). If the Franchised Restaurant does not receive a satisfactory score, Franchisee shall also be required to pay Franchisor an additional fee of Five Hundred Dollars (\$500.00). Franchisee shall also be required to make any repairs and changes required by Franchisor in order to reach a satisfactory score. Franchisor may then re-audit the Franchised Restaurant and Franchisee shall be required to pay a re-audit fee of Two Hundred Fifty Dollars (\$250.00). Franchisee shall also pay Franchisor for all of its travel and other costs to conduct the QSC audits and re-audits.

(j) Due Date; Reports. Franchisee shall pay the Royalty Fee, the Advertising Fee, the Technology Fee and the Management Fee, if applicable, on a weekly basis every Monday with respect to the immediately preceding Monday through Sunday. Payments shall be made by electronic funds transfer, and Franchisee shall execute and deliver such instruments as are necessary and appropriate to effect such transfers. If Franchisee requests to pay a fee by credit card and Franchisor agrees, Franchisee must also pay a fee to cover the merchant services fees. Franchisor shall have the right to vary the frequency of the due date (e.g., from weekly to monthly) and the method of payment from time to time. The fees payable hereunder are non-refundable. Franchisee also agrees to deliver weekly reports of Gross Revenues on a form approved or provided by Franchisor, together with the payments of the Royalty Fee, the Advertising Fee and the Technology Fee.

(k) Late Fee. In addition to all other rights and remedies that Franchisor may have, Franchisee shall pay Franchisor a late fee with respect to all late or overdue payments, calculated at the rate of two percent (2%) per month, not to exceed the highest applicable rate allowed by law, payable when the fee or report is overdue. This provision does not constitute agreement by Franchisor to accept such payments after they are due or a commitment to extend credit to, or otherwise finance such amounts.

(l) No Withholding of Payment. Franchisee will not, on the grounds of the alleged nonperformance by Franchisor of any of its obligations hereunder or for any other reason whatsoever, withhold payment of any amounts due, nor shall Franchisee have any right of offset.

(m) Application of Payments; Right of Offset. Notwithstanding any designation by Franchisee, Franchisor shall have discretion to apply any payments by Franchisee to any past due indebtedness of Franchisee. In addition, Franchisor shall have the right to offset any amounts due to it or its affiliates against any amounts to be paid to Franchisee. All payments made by Franchisee to Franchisor are nonrefundable.

7. DUTIES OF FRANCHISOR

(a) Training and Support.

(i) Initial Training. Franchisee, Franchisee's manager and Franchisee's assistant manager shall complete Franchisor's initial training to Franchisor's satisfaction within sixty (60) to ninety (90) days before opening the Franchised Business. Initial training shall be conducted at a Restaurant and at other locations designated by Franchisor and shall include instruction manuals, classroom training and other classes as required and presented by Franchisor. Some training may be virtual. Franchisee, Franchisee's manager and Franchisee's assistant manager must each complete initial training to Franchisor's satisfaction before the Franchised Restaurant opens for business to the public.

(ii) Evaluation. Franchisor shall have the right, during the initial training program, to further evaluate Franchisee's fitness to operate under this Agreement. In the event Franchisee fails to successfully complete the initial training program, Franchisor shall have the right to terminate this Agreement.

(iii) Initial Training Fees. Franchisee shall not be required to pay any initial training fee for up to three (3) individuals to whom Franchisor provides initial training at the same time following execution of this Agreement. Franchisor will charge an initial training fee of One Thousand Dollars (\$1,000.00) per person for each additional or replacement person who attends initial training.

(iv) Refresher Training. Franchisor may require Franchisee, its manager and other personnel to attend refresher and additional training courses from time to time and there will be a fee charged for such training.

(v) Additional Training. If Franchisee requests that Franchisor provide additional training and Franchisor, in its discretion, agrees to do so, or if Franchisor determines that Franchisee should attend additional training, Franchisee shall do so, and acknowledges that there will be a fee charged for such training.

(vi) Expenses. Franchisee shall be responsible for all travel and living expenses that Franchisee, its manager and other personnel may incur in connection with initial, refresher and additional training.

(b) Operations Manual. Franchisor has developed a proprietary and confidential manual containing mandatory and suggested specifications, standards, operating procedures and rules for the operation of Restaurants and designed to protect and maintain the

value of the Marks (the “**Operations Manual**”). Franchisor will lend Franchisee a copy of the Operations Manual for use during the term of this Agreement and Franchisor shall retain ownership of the Operations Manual. Franchisee shall comply with the requirements of the Operations Manual, as Franchisor may modify it from time to time. Franchisee shall maintain the Operations Manual confidential, shall not make any copies of any part of the Operations Manual and shall not permit any other person to view or have access to the Operations Manual. Franchisee acknowledges and agrees that the Operations Manual may be modified from time to time to reflect changes in the standards or authorized services or the System. All modifications to the Operations Manual shall be binding upon Franchisee upon delivery to Franchisee. Franchisee agrees to accept, implement and adopt any such modifications at Franchisee’s own cost. Any provisions of the Operations Manual that may address human resource issues such as employee staffing, scheduling, hiring, discipline and other policies related to Franchisee’s employees are suggestions only. Franchisee must make all determinations in its sole discretion with respect to its personnel with the guidance of its own independent advisors. The Operations Manual will contain proprietary information belonging to Franchisor and Franchisee acknowledges that the Operations Manual is, and shall remain, the property of Franchisor. Franchisee shall promptly return the Operations Manual to the Franchisor upon termination or expiration of this Agreement. All references herein to the Agreement shall include the provisions of the Operations Manual and all such mandatory specifications, standards, procedures and rules, and such additions and modifications thereto. Franchisee understands and agrees that it is of substantial value to Franchisor and other franchisees of Franchisor, as well as to Franchisee, that the System establishes and maintains a common identity. Franchisee agrees and acknowledges that full compliance with each and every detail of the System and the Operations Manual that is mandatory is essential to preserve, maintain and enhance the reputation, trade demand and goodwill of the System and the Marks and that failure of Franchisee to operate the Franchised Restaurant in accordance with the System and the Operations Manual can cause damage to all of the other parties described above, as well as to Franchisee. Notwithstanding the foregoing and consistent with the goals of the System, Franchisee shall be responsible for the day-to-day operation of the Franchised Restaurant.

(c) Advice and Consultation. Franchisor will advise and consult with Franchisee periodically in connection with the development and operation of the Restaurant and assist Franchisee to resolve any operating problems that may arise. Franchisee shall comply with the advice provided by Franchisor.

(d) Franchisee Meetings. Franchisor may hold franchisee meetings from time to time. If it does so, Franchisee and those of its personnel as Franchisor shall designate shall attend all such mandatory meetings and Franchisee shall be responsible for all travel and living expenses, that Franchisee and its other personnel incur in attending such meetings.

(e) Area Representative. Franchisee acknowledges and agrees that some or all of Franchisor’s duties and services may be performed by a third party area representative on behalf of Franchisor.

8. ADVERTISING

(a) Advertising Fund. Franchisor has established an advertising fund (the “**Advertising Fund**”). The Advertising Fee may be deposited in Franchisor’s general operating account, may be commingled with Franchisor’s general operating funds and may be deemed an asset of Franchisor. Franchisor will administratively segregate the Advertising Fund on its books and records. Franchisor will use the Advertising Fund for the purpose of promoting the

System as a whole and increasing the goodwill of the Marks. Franchisor will conduct such advertising and marketing of the System and its services as Franchisor deems desirable to promote and enhance the reputation of the System, including, without limitation, producing materials for use in connection with such advertising and marketing. All decisions regarding advertising and marketing, including without limitation the type, quantity, timing, placement and choice of media, market areas and advertising agencies shall be made by Franchisor and shall be final and binding. All costs of the formulation, development and production of any advertising and promotion (including without limitation the proportionate compensation of Franchisor's employees who devote time and render services in connection with such advertising and promotional programs or the administration, accounting and collection of the Advertising Fees) will be paid from the Advertising Fund. Franchisor does not have any obligation to make expenditures that are proportionate or equivalent to Franchisee's Advertising Fees in the market area of the Territory, nor does Franchisor represent that Franchisee will benefit directly or pro rata from the placement of advertising.

(b) Franchisee Expenditures. In addition to the Advertising Fee, Franchisee shall spend no less than one percent (1%) of Gross Revenues on local advertising, which has been approved by Franchisor as set forth in Subsection (c) below. The purpose of such local advertising shall be to advance the reputation of the System and the Marks and develop awareness among consumers of them. On or prior to the tenth (10th) day of each calendar month, Franchisee shall submit to Franchisor receipts evidencing expenditures for approved local advertising during the preceding calendar month. Franchisee may not develop or operate a website related to or featuring the Franchised Restaurant or the Marks without Franchisor's prior written consent. Franchisor reserves the right to require Franchisee to establish and operate a website that meets Franchisor's specifications and which may be linked to Franchisor's website.

(c) Approval of Advertising. Franchisee shall submit proposed advertising material to Franchisor at least ten (10) days in advance of publication and shall use only such advertising copy and materials as have been approved in writing by Franchisor. The copyright for any advertising or other materials that Franchisee develops for the Franchised Restaurant shall automatically be assigned to Franchisor without any further action by the parties required.

(d) Pre-Opening Advertising. Adequate pre-opening advertising is essential to the success of the Restaurant and Franchisee shall conduct such advertising in connection with the opening of the Franchised Restaurant in accordance with Franchisor's directions and assistance.

(e) Social Media Policy. Franchisee shall comply with Franchisor's policy regarding use of social media, websites and other forms of electronic communication. Franchisor may designate a third party supplier to coordinate social media/website with respect to the Marks and the System. If Franchisor does so, Franchisee must engage such third party supplier to handle its social media activities and pay such third party supplier's fees for doing so.

(f) Discounts, Coupons and Gift Certificates. From time to time as part of the advertising and promotional activities conducted by Franchisor, Franchisor may institute discount programs and issue coupons and gift certificates. Franchisee shall accept such coupons and gift certificates from customers and to redeem them in accordance with Franchisor's policies then in effect and to participate in such discount programs. However, such programs shall in no way affect Franchisee's right to establish its own prices. Franchisee shall not offer any discounts or coupon or gift certificate programs without Franchisor's prior written

consent. Franchisee acknowledges that discount, coupon and gift certificate programs may affect the determination of Gross Revenues.

(g) Marketing Cooperatives. Franchisor may require franchisees to form local marketing cooperatives when unit development in the relevant marketing area makes such an option feasible. If a marketing cooperative is established in the Territory, Franchisor may require Franchisee to contribute to the cooperative all or a portion of the one percent (1%) of Franchisee's revenues allocated to local advertising as set forth in Subsection (b) above.

(h) No Fiduciary Duty. Nothing in this section or anywhere in this Agreement creates a fiduciary relationship between the parties, nor shall anything herein be deemed to create any trust duties between the parties. No covenant shall be implied to vary or interpret the terms of this provision. Copies of Franchisor's periodic reports of the Fund shall be available to Franchisee upon reasonable request.

(i) Termination of Advertising Fund. If Franchisor decides to terminate the Advertising Fund, it may do so. Franchisor will distribute any amounts remaining in the Advertising Fund after its termination, if any, to then-existing franchisees pro rata based on Advertising Fees paid by franchisees over the previous three (3) years.

9. DUTIES OF FRANCHISEE

In addition to its duties as set forth elsewhere in this Agreement, Franchisee shall perform the following:

(a) Inventory and Supply Specifications. The following restrictions shall apply to inventory, supplies and products to promote uniformity and quality, and to protect the integrity of the Marks:

(i) Proprietary Products. Franchisor's affiliate has developed, and may in the future develop, certain ingredients and products using or incorporating secret recipes or other trade secrets or information (the "**Proprietary Products**"). These products include, without limitation, marinades, sauces, soups, spices, cheeses, chicken wings, other food products and other items. They also include spec products Franchisor designates from suppliers Franchisor designates. Spec products are products Franchisor requires Franchisee to use by type of product or brand. Franchisee shall purchase all Proprietary Products only from Franchisor, or a supplier designated by Franchisor, and in no event will Franchisee alter or attempt to substitute any other product for any Proprietary Product or spec product. Franchisee will only use or distribute Proprietary Products in connection with the operation of the Franchised Restaurant and the operation of any other Restaurant which Franchisee may operate pursuant to another Franchise Agreement with Franchisor. Franchisor expressly reserves the right to designate suppliers, or itself to be the sole supplier, of Proprietary Products and spec products. Franchisor may provide Franchisee with required production methods and quality controls concerning the Proprietary Products and spec products.

(ii) Merchandise Items. Franchisee shall purchase all merchandise items for sale in the gift shop located in the Franchised Restaurant only from Franchisor or a supplier designated by Franchisor. Such items include, without limitation, t-shirts, caps, other clothing items, memorabilia and food products.

(iii) Designated Products Supplies, Services and Equipment.

Franchisee shall purchase any and all products (including, without limitation, products bearing the Marks), and any and all other equipment, supplies and services required or used in the operation of the Franchised Restaurant only from: (a) manufacturers, suppliers or distributors from time to time designated by Franchisor; or (b) from Franchisor or its affiliate, if available. Franchisor may designate required purchases of products or services by brand name. Prior to Franchisee's opening of the Franchised Restaurant, Franchisor may designate and negotiate pricing with suppliers for any merchandise, equipment, inventory, and supplies required in the operation of the Franchised Restaurant. Franchisee agrees and acknowledges that certain specially designed materials, equipment, proprietary products, certain services and items used in the Franchised Restaurant that are integral to the System may only be available from Franchisor or its designated supplier. As of the date of this Agreement, Franchisor has designated Coca Cola as an exclusive supplier for certain products and has designated ADP, Aloha, Directv, Ecolab and First Data as exclusive providers for certain services. Franchisor may designate additional suppliers and brands which Franchisee must purchase including, without limitation, audio visual suppliers and products.

(iv) Payment. Franchisee acknowledges that Franchisor may require payment for Proprietary Products and all other items Franchisee purchases from Franchisor or its affiliate to be made electronically from Franchisee's bank account when Franchisee orders the product or other item. Franchisor reserves the right to vary the method of required payment at any time.

(v) Approval of Suppliers. Franchisor may, in its sole discretion, consent to suppliers selected by Franchisee provided the following conditions are first met and provided further, that Franchisor is not required to consider Franchisee's request. In no event will Franchisor consent to the designation of Franchisee's affiliate as a supplier.

a. Franchisee shall submit a written request to Franchisor for approval of the supplier;

b. The supplier shall demonstrate to Franchisor's satisfaction that it is able to supply an item to Franchisee meeting Franchisor's specifications for such item, including but not limited to, providing Franchisor with samples and the opportunity to inspect its facilities from time to time;

c. Franchisee shall reimburse Franchisor for its expense incurred in connection with evaluating the proposed supplier;

d. The supplier shall demonstrate to Franchisor's satisfaction that the supplier is of good standing in the business community with respect to its financial soundness and the reliability of its product and service;

e. The supplier shall obtain, maintain and submit to Franchisor proof of, sufficient insurance coverage (including, but not limited to, product liability coverage) at limits and including coverage acceptable to Franchisor, and include Franchisor and Franchisee as additional named insureds with the right to receive at least thirty (30) days' prior written notice of any modification, cancellation or termination of such policy; and

f. In the event the item to be supplied is required to bear one of the Marks, such supplier must execute a license agreement (which may include a royalty payment) in a form acceptable to Franchisor.

Until and unless Franchisor notifies Franchisee in writing that it has approved or designated a supplier, Franchisee must continue to purchase from previously approved suppliers. Franchisor reserves the right to refuse to consent to a supplier for any reason. If Franchisor determines that a previously approved supplier no longer conforms to such standards, it shall so notify Franchisee and Franchisee shall thereupon discontinue making purchases from supplier.

(vi) Menu Pricing. Franchisor may periodically make recommendations to Franchisee concerning menu pricing. Although Franchisee generally has the right to determine the price for products and services that Franchisee sells, Franchisor reserves the right to establish and enforce menu prices, both minimum and maximum, to the extent permitted by applicable law.

(b) Confidential Information and Operations. Franchisor will provide Franchisee with confidential and proprietary information and trade secrets, whether or not Franchisor designates such information as confidential, proprietary or a trade secret. Such proprietary information includes customer information and data, all of which belongs to Franchisor. Without the prior written consent of Franchisor, Franchisee shall neither disclose the contents of such information to any person, except employees of Franchisee for purposes related solely to the operation of the Franchised Restaurant, nor reprint or reproduce such confidential or proprietary information or trade secrets in whole or in part for any purposes. Upon request by Franchisor, Franchisee shall obtain agreements from its personnel prohibiting disclosure of any trade secrets or confidential or proprietary information.

(c) Operation of Restaurant.

(i) Operation of Franchised Restaurant Facility. Franchisee shall participate in the operation and management of the Franchised Restaurant (personally or through an operating partner who has completed Franchisor's initial training program to Franchisor's satisfaction and for whom Franchisee has obtained Franchisor's approval) and shall diligently devote Franchisee's best efforts to the operation and management so as to maximize sales and profits, keeping free from conflicting enterprises or any other activities which would be detrimental to or interfere with such operation or management. The Franchised Restaurant must be directly operated by Franchisee or such an operating partner. If Franchisor determines that neither Franchisee or its operating partner have sufficient experience in restaurant operations, Franchisor may require that Franchisee hire a general manager for the Franchised Business. The general manager is subject to Franchisor's consent and must complete Franchisor's initial training program to Franchisor's satisfaction. Franchisee shall operate and maintain the Franchised Restaurant only at the location designated herein and only in accordance with the business standards, procedures, policies, and techniques comprising the System. In particular, and not in limitation of the foregoing, Franchisee shall participate in all customer loyalty and similar programs that may be required by Franchisor. Such participation may involve accepting coupons issued to customers and discounting product prices. Franchisee shall conspicuously post at the Franchised Restaurant a notice to the effect that the Franchised Restaurant is a franchised business operated independently of Franchisor.

(ii) Approved Menu Items. Franchisor shall notify Franchisee of the menu items Franchisee is required to offer in the Franchised Restaurant ("**Approved Menu**

Items”). Only Approved Menu Items may be offered, sold or provided at the Franchised Restaurant. Nothing in this Agreement shall restrict Franchisor, in its sole discretion, from designating at Franchisee’s request or otherwise menu items or services as “Approved” on a seasonal, local or regional basis. Franchisor may also withhold such designation for any food item which, in Franchisor’s judgment, the Franchised Restaurant is not properly equipped to offer, provide, prepare or serve. Franchisor may add to, delete or change the Approved Menu Items periodically. New Approved Menu Items may require different storage, preparation, cooking or service facilities than had previously existed in the Franchised Restaurant.

(iii) **New Developments**. If Franchisee develops a new product, method, operation or improvement, it shall be deemed to be part of the System at Franchisor’s option, and the sole property of Franchisor.

(iv) **Catering and Delivery**. Franchisee may offer catering services provided that such services must be conducted in accordance with Franchisor’s catering program including, without limitation, utilizing the catering menu required by Franchisor. Franchisee may also offer delivery services, including without limitation delivery through third party providers such as DoorDash, UberEats and GrubHub.

(d) **Sanitation and Maintenance Standards**. At its sole expense, Franchisee shall at all times maintain the interior and exterior of the Franchised Restaurant premises, including all of the fixtures, signs, and equipment, in a good, clean, attractive, and safe condition and repair.

(e) **Remodeling/Improvements**. Franchisor may establish and publish specifications for the painting and décor, furnishings, fixtures, signage, facility and equipment of the Franchised Restaurant. Franchisee shall from time to time make such cost effective improvements and alterations to the Franchised Restaurant as Franchisor may require in order for the Franchised Restaurant to meet such specifications. Franchisor will provide Franchisee with thirty (30) days’ prior notice before requiring Franchisee to make improvements and alterations to the Franchised Restaurant or to purchase additional equipment.

(f) **Staffing Requirements**. Franchisee shall maintain an adequate number of neat, clean, competent, and courteous employees at the Franchised Restaurant to insure maximum customer satisfaction and consistent service. Franchisee shall require all employees to wear uniforms of such color, design, and other specifications as Franchisor may designate from time to time. Franchisor may periodically require Franchisee to submit to Franchisor for its approval plans setting forth staffing levels for the Franchised Restaurant and describing employee functions.

(g) **Hours of Operation**. Subject to any contrary requirements of regulatory authorities or Franchisee’s lease, Franchisee shall operate the Franchised Restaurant at such minimum hours and on such days as may from time to time be prescribed by Franchisor and shall maintain sufficient supplies of goods and products so as to operate the Franchised Restaurant at maximum capacity and efficiency.

(h) **No Political Statements**. Franchisee must comply with Franchisor’s policy on political statements and refrain from making any such statements or permitting its personnel to post signs, banners or other political symbols or to wear clothing endorsing a political candidate or movement.

(i) Sales Records. Franchisee shall purchase or lease and install a point of sale electronic cash register or computer system designated by Franchisor which is Aloha Systems as of the date of this Agreement (the “**POS system**”). Franchisee shall execute any and all necessary agreements and pay fees in connection with the installation, maintenance and upgrade of the POS system. Both technological and operational developments may require Franchisee to upgrade or replace components of, or the entire, POS system during the term of this Agreement or upon its renewal. Franchisee will upgrade, replace or expand the POS system in order to assume and discharge all of the POS system related tasks specified, and as modified from time to time, by Franchisor. Franchisor will have independent access to the information in the POS system and may access it at any time.

(j) Legal Compliance. At its sole expense, Franchisee shall comply with all federal, state, and local laws, ordinances and regulations applicable to the ownership and operation of the Franchised Restaurant. In particular, and not in limitation of the foregoing, Franchisee shall comply with the Americans with Disabilities Act. Franchisee must also comply with all laws governing consumer data and privacy and employ all means to maintain the security of consumer data. If any data security incident occurs, Franchisee shall notify Franchisor immediately and shall take steps to address and remedy such incident. Franchisor is not obligated to remedy Franchisee’s data security issue, but if Franchisor requires Franchisee to take certain steps including, without limitation, the retention of a remediation expert, Franchisee agrees to do so. A data security incident includes an act originated within or outside Franchisee’s organization affecting Franchisee’s computer system or other technology that violates the law or Franchisor’s policies and involves unauthorized access to view, copy or use the System, customer data, confidential information or trade secrets. Immediately upon receipt of any citation, notice, complaint or other indication that Franchisee or any of its personnel has violated any law or regulation, Franchisee shall immediately notify Franchisor and transmit to Franchisor copies of all such citations, notices, complaints or other such indications.

(k) Right of Inspection. Franchisee shall allow the agents and representatives of Franchisor to enter the Franchised Restaurant at any time for the purpose of examining and inspecting fixtures, furnishings, signs, equipment, products, supplies, and employees of the Franchised Restaurant to determine whether Franchisee is in compliance with this Agreement and the standards and policies of the System. In order to monitor the System, Franchisor shall have the right to take reasonable samples of food and ingredients served at the Franchised Restaurant, free of charge, conduct quality assurance audits, employ mystery shoppers and conduct customer surveys. Franchisor may require Franchisee to pay the cost of quality assurance audits conducted by third parties Franchisor retains. In addition, Franchisor may conduct its own quality service compliance (QSC) audits and Franchisee shall pay the fees set forth in Subsection 6(i) above. If Franchisee shall fail to operate the Franchised Restaurant in accordance with the System, Franchisor may, at its option, and at Franchisee’s expense, and in addition to any other remedies of Franchisor hereunder, place a representative of Franchisor in the Franchised Restaurant until Franchisor shall determine in its sole discretion that there is compliance.

(l) Books and Records. Franchisee shall keep books of account in accordance with good accounting practices which fully and accurately disclose Gross Revenues and shall deliver to Franchisor by the fifteenth (15th) day of the following month, monthly financial statements which include a profit and loss statement and accurately reflect current results of the operation of the Franchised Restaurant on such forms as may be prescribed by Franchisor. Within fifteen (15) days following the end of each calendar quarter and year

Franchisee must also deliver to Franchisor quarterly and annual financial statements prepared in accordance with U.S. generally accepted accounting principles and, if required by Franchisor, certified by an independent certified public accountant. Franchisee shall also deliver to Franchisor any other financial reports that Franchisor requires. Franchisor may designate the accounting system and computer software that Franchisee is required to use and the provider which Franchisee must use. Franchisee shall permit Franchisor, or its agent or representative to inspect and examine Franchisee's books and records. If any audit discloses that reported Gross Revenues of Franchisee have been understated, Franchisee shall immediately pay to Franchisor the amounts due, together with late charges as provided herein. If such audit discloses that the reported Gross Revenues of Franchisee for the period audited have been understated by two percent (2%) or more, Franchisee shall reimburse Franchisor for any and all expenses incurred in connection with or attributable to the audit including without limitation accounting and legal fees and travel expenses, room and board and compensation for Franchisor's agents and representatives. Such payments shall be without prejudice to any other rights and remedies Franchisor may have under this Agreement or otherwise. Franchisee shall maintain the books and records of the Restaurant for at least three (3) years.

(m) Required Disclosure. Franchisor may be required by law, regulation or other legal requirement, or may deem it advisable, to disclose information regarding Franchisee or the operation of the Franchised Restaurant, including without limitation, earnings or other financial performance information. Franchisor shall be entitled to disclose such information and that Franchisor shall have the right to determine the extent and manner in which such disclosure will be made. If Franchisor does not have the information necessary for the disclosure Franchisor determines it will make, Franchisee shall provide such information to Franchisor promptly upon Franchisor's request.

(n) Notification of Legal Proceedings. Franchisee shall notify Franchisor in writing within ten (10) days of the commencement of any action, suit or proceeding, or of the issuance of any order, writ, injunction, award, or decree of any court or government agency (i) involving a claim for damages in excess of Fifty Thousand Dollars (\$50,000.00), or (ii) which may adversely affect Franchisee's financial condition or ability to perform its duties or meet its obligations hereunder.

(o) Entity Franchisee. If Franchisee is a corporation, partnership, limited liability company or other entity, Exhibit D shall be completed and delivered together with this Agreement. Franchisee shall notify Franchisor in writing within ten (10) days of any change in the information contained in Exhibit D. Upon request by Franchisor, Franchisee shall provide Franchisor with copies of any and all documents relating to the formation and organization of the entity.

10. INSURANCE

At all times during the term of this Agreement, Franchisee shall maintain in full force and effect at its sole cost and expense the following insurance coverage at the following minimum limits:

(a) Commercial General Liability. \$1,000,000 per occurrence and \$2,000,000 aggregate for bodily injury and property damage including product liability, personal and advertising liability with no exclusion for assault and battery on an occurrence form.

(b) Liquor Liability. \$1,000,000 per occurrence and \$2,000,000 aggregate with no exclusion for assault and battery for liquor related claims on an occurrence form.

(c) Auto Liability. \$1,000,000 combined single limit liability for all owned, non-owned and hired automobiles used in the operation of the Franchised Restaurant with no exclusion for third party delivery services.

(d) Property. Equal to 100% of the replacement cost of all real and business personal property of the Franchised Restaurant including flood and earthquake insurance if the Franchised Restaurant is in a catastrophe-prone zone.

(e) Business Income & Extra Expense. This must cover not less than forty percent (40%) of Franchisee's estimate of annual sales with at least one hundred eighty (180) days of an extended period of indemnity.

(f) Umbrella Liability. \$2,000,000 (with a higher limit required if Franchisee owns more than one Franchised Restaurant).

(g) Employer's Liability. \$1,000,000/\$1,000,000/\$1,000,000.

(h) Employment Practices Liability. This coverage must include third party liability coverage of at least \$1,000,000 including a minimum of \$100,000 wage and hour defense coverage, naming Franchisor as co-defendant for employment-related claims and third-party discrimination and harassment claims.

(i) Cyber Liability. \$1,000,000 including cyber data breaches, identity theft, PCI compliance, ransomware and a social engineering sublimit of \$100,000.

(j) Trade Name Restoration. \$500,000 for lost income due to contamination or an alleged contamination event affecting the Anchor Bar brand.

and such other limits and coverages as Franchisor shall designate from time to time. Franchisee shall also maintain in full force and effect at its sole cost and expense, workers compensation insurance as required by law. All such insurance must include coverage for losses that incur for two years after the expiration or termination of this Agreement. Franchisor and all other subsidiaries, affiliates and other parties designated by Franchisor from time to time shall be named as additional insureds provided, however, that Franchisor shall be named as co-defendant under the employment practices liability coverage. Franchisee shall provide Franchisor with certificates of insurance evidencing the required coverage, which certificates shall be renewed and provided annually and shall contain such detailed information as Franchisor may from time to time request, and Franchisee shall also provide Franchisor with full and complete copies of any and all of the above policies including copies of any renewals or modifications thereto upon request of Franchisor. All insurance policies must be issued by an insurance company licensed to do business in the state where the Franchised Restaurant is located, approved by Franchisor, and rated A+ or better by A.M. Best & Company, Inc. Franchisee shall cause the companies to agree by endorsement or separate written document that Franchisor shall be given at least thirty (30) days' prior written notice of termination, expiration, cancellation, modification or reduction in coverage limits of any such policy. Franchisee must also obtain all insurance required by Franchisee's lease and by the state, local or federal laws applicable to the Franchised Restaurant.

11. INDEMNITY

Franchisee shall, during the term of this Agreement and after the termination or expiration of this Agreement, protect, defend, indemnify and hold Franchisor, and its affiliates and associates, licensors, officers, directors, owners, employees, agents, representatives and assignees (the **"Indemnified Parties"**) harmless against any and all liability for all claims of every kind or nature arising in any way out of or relating to Franchisee's actions or failure to act, whether personal or in connection with the operation of the Franchised Restaurant, any other actions or failure to act by Franchisee, its agents or representatives or any breach of this Agreement. For purposes of this indemnification, **"claims"** means and includes all obligations, actual and consequential damages, losses, claims, judgments, demands, liens, reckonings, accounts and costs incurred in the defense of any claim (such as, by way of illustration, but not limitation, accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses). Franchisor shall have the right to defend any such claim against it with counsel of its own choosing and Franchisee shall cooperate fully with Franchisor in connection with the defense of any claim. Franchisee shall have no right to settle or refuse to settle any claim; Franchisor shall retain all right to do so. In addition, Franchisee shall cooperate fully with Franchisor in any other claims brought by or against Franchisor. The defense of such claim, litigation or administrative proceeding by an Indemnified Party, or by Franchisee on an Indemnified Party's behalf, shall be at the sole cost and expense of Franchisee, who shall hold each Indemnified Party free and harmless from all such obligations and liabilities and shall reimburse an Indemnified Party for all expenses incurred therein, including attorneys' fees. Further, an Indemnified Party shall have the right independently to take any action it may deem necessary, in its sole discretion, to protect and defend itself against any threatened action subject to indemnification hereunder, without regard to expense, forum or other parties that may be involved.

12. MARKS AND TRADE DRESS

(a) Ownership of Marks and Goodwill. Franchisee's right to use the Marks is derived solely from, and is subject to, the terms and conditions of this Agreement. Such right is limited to the operation of the Franchised Restaurant in accordance with this Agreement and all mandatory standards, specifications and operating procedures prescribed from time to time by Franchisor. Franchisor has the right to use and sublicense the use of the Marks pursuant to a license agreement between it and Anchor Bar Distributing Company, LLC (the **"Licensor"**) that owns the Marks (the **"License Agreement"**). Franchisee shall not contest or oppose, nor assist anyone else to contest or oppose, directly or indirectly, the License Agreement or Franchisor's rights and use in connection therewith, Licensor's ownership or use of, application for, or registration of, or the validity or enforceability of, any of the Marks. Franchisee shall not acquire or use any trademarks that are similar or identical to the Marks. Franchisee's usage of the Marks and any goodwill established thereby shall inure to the exclusive benefit of the Licensor.

(b) Limitations on Franchisee's Use of Marks and Trade Dress.

(i) Franchisee shall at all times use the Marks in accordance with Franchisor's requirements which Franchisor may change, add to and modify from time to time. If local laws require that Franchisee file a registration stating that Franchisee is conducting business under an assumed name or trade name, Franchisee shall state in such document that it is conducting such business as a franchisee of Franchisor. Franchisee shall not use any of the Marks or similar words or colorable imitations thereof as part of any name of any corporation, partnership, limited liability company or other business entity, or with any other

prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form or as part of any domain name, web address or similar electronic use; nor may Franchisee use any of the Marks in connection with the sale of any unauthorized products or service or in any other manner not explicitly authorized in writing by Franchisor. Franchisee will not use or display, or permit the use or display, of the trademarks, trade names, service marks, insignias, logotypes or any other commercial symbols or trade dress of any other person or entity in connection with the Franchised Restaurant without the prior written consent of Franchisor.

(ii) Franchisee hereby covenants and agrees that it will affix in a conspicuous location in the Franchised Restaurant a sign containing the following notice:

“This business is owned and operated independently by (name of franchisee) who is an authorized licensed user of the trademark “Anchor Bar”, which trademark is owned by Anchor Bar Distributing Company, LLC.”

(c) Defense of Trademarks.

(i) In the event that Franchisee receives notice or learns of a claim, suit, demand or proceeding against Franchisee on account of any alleged infringement, unfair competition, or similar matter relating to Franchisee's use of the Marks or of any of Franchisor's copyrights in accordance with the terms of this Agreement, Franchisee shall promptly notify Franchisor of such claim, suit, demand or proceeding. Franchisee shall have no power, right, or authority to settle or compromise any such claim by a third party without the prior written consent of Franchisor. Provided that Franchisee is in full compliance with this Agreement, Franchisor shall defend Franchisee against any claim by a third party against Franchisee for Franchisee's use of the Marks and copyrighted material in accordance with this Agreement, using attorneys of Franchisor's choosing. Franchisor may elect to compromise or settle any such claim, at its sole discretion. Franchisee shall cooperate fully with Franchisor in connection with any such defense. Franchisee irrevocably grants Franchisor authority and power of attorney to defend or settle such claims, demands, suits or proceedings.

(ii) In the event that Franchisee receives notice or is informed or learns that any third party, that Franchisee believes to be unauthorized to use the Marks, is using the Marks or any variants thereof, or is using any of Franchisor's or its affiliate's copyrights, Franchisee shall promptly notify Franchisor. Thereupon, Franchisor shall, in its sole discretion, determine whether or not it wishes to undertake any action against such third party on account of said person's alleged infringement of the Marks or copyrights. In the event Franchisor undertakes such action, it shall have the authority and power of attorney to defend or settle such action. Franchisee shall render such assistance as Franchisor shall require to carry out the prosecution of any such action. Franchisee shall have no right to prosecute any claim of any kind or nature whatsoever against such alleged infringer for or on account of said alleged infringement.

(d) Copyright. Franchisor has developed, and may further develop during the term of this Agreement, certain artistic designs, and certain other word combinations and other materials designated for use by Franchisee. Franchisor and/or its affiliate retains all right, title and interest thereto as provided by copyright law to the originator of works and, further, that Franchisee is licensed to use such copyrighted materials solely in accordance with the terms and during the term of this Agreement.

(e) Discontinuance of Use of Marks. If it becomes advisable at any time in Franchisor's sole discretion for Franchisee to modify or discontinue use of any Mark or any items of trade dress, or use one or more additional or substitute marks or items, Franchisee shall comply with Franchisor's directions to modify or otherwise discontinue the use of such Mark or item of trade dress and to accept, use and display such additional marks or items of trade dress within a reasonable time after notice thereof by Franchisor but in no event more than thirty (30) days after receiving notice from Franchisor. Franchisor shall not be obligated to compensate Franchisee for any costs incurred by Franchisee in connection with any such addition, modification or discontinuance.

13. NON-COMPETITION

(a) Franchisor could not protect its trade secrets against unauthorized use or disclosure and could not achieve a free exchange of ideas and information among franchisees in the System if Franchisee held interests in any competitive business. Franchisor grants the rights to Franchisee in part in consideration of, and in reliance upon, Franchisee's agreement to deal exclusively with Franchisor. Therefore, Franchisee shall not at any time during the term of this Agreement, individually or in conjunction with any person or entity, have any interest as an owner, investor, shareholder, partner, member, lender, director, officer, manager, employee, consultant, guarantor, representative, or agent or in any other manner whatsoever, directly or indirectly, carry on or be engaged in, financially or otherwise, or advise in the establishment or operation of any business involving or related to the sale of chicken wings or other food items that are on the menu as part of the System.

(b) In addition, for one (1) year after the termination or expiration of this Agreement, Franchisee shall not carry on, be engaged in or advise in the establishment or operation of any business involving or related to the operation of a restaurant selling chicken wings or other food items that are on the menu as part of the System or similar businesses described in Subsection (a) above except (i) pursuant to franchise agreements with Franchisor, or (ii) if Franchisee is not then a party to any other franchise agreement with Franchisor, only at a site that is at least ten (10) miles from any Anchor Bar Restaurant (including Franchisee's former Franchised Restaurant) that is operating or being developed. This restriction represents only a limited one on Franchisee's ability to conduct a business and that the purpose of this covenant is not to deprive Franchisee of a means of livelihood, and will not do so, but is rather to protect the goodwill and interest of Franchisor and the System. In the event that Franchisee does not comply with this provision and Franchisor is required to enforce it, the one (1)-year period is tolled for the period of noncompliance.

(c) Covenants contained in this Section 13 shall be construed as severable and independent, and shall be interpreted and applied consistently with the requirements of reasonableness and equity. The period, the geographic area and the scope of the restrictions on Franchisee's activities are divisible so that if any provision of the restrictions is invalid, that provision shall be automatically modified to the extent necessary to make it valid.

(d) Franchisee shall require and obtain execution of agreements similar to those set forth in this Section 13 including agreements applicable upon the termination of a person's relationship with Franchisee that shall be effective for a period of one (1) year after such termination from all officers, directors, and holders of a beneficial interest of ten percent (10%) or more of the equity of any entity directly or indirectly controlling Franchisee, if Franchisee is an entity;

(e) All agreements required by this Section 13 shall be in forms satisfactory to Franchisor, including without limitation specific identification of Franchisor as a third-party beneficiary with the independent right to enforce them.

14. ASSIGNMENT AND TRANSFER

(a) By Franchisor. This Agreement is fully transferable and assignable by Franchisor, in whole or in part, and shall inure to the benefit of any assignee, transferee or other legal successor to its interest herein.

(b) By Franchisee.

(i) The rights granted to Franchisee in this Agreement are personal and Franchisor is entering into this Agreement in reliance upon and in consideration of the individual character, skill, attitude, business ability and financial capacity of Franchisee or, if Franchisee is a corporation, partnership, limited liability company or other entity, of its principal owners and officers or partners. Accordingly, Franchisee shall not transfer (as defined below) this Agreement or any interest therein without Franchisor's written consent and without offering Franchisor a right of first refusal pursuant to Subsection (c) below. Any attempt at a transfer that violates the provisions of this section shall constitute a material breach of this Agreement and shall convey no right or interest in this Agreement. A transfer by an individual franchisee to an entity that is wholly owned by Franchisee and the sole business of which is the operation of the business contemplated by this Agreement shall not be subject to Franchisor's right of first refusal nor shall Franchisee be required to pay the transfer fee set forth below; provided that Franchisee notifies Franchisor in advance of the transfer and provides Franchisor with all documents Franchisor deems necessary or advisable including without limitation, a personal services agreement, an assumption agreement and personal guaranty by Franchisee as an individual. Franchisee shall reimburse Franchisor for its expenses in documenting such a transfer.

(ii) For purposes hereof, "**transfer**" means any voluntary, involuntary, direct or indirect assignment, sale, division, encumbrance, hypothecation, mortgage, pledge or other transfer by Franchisee, in whole or in part, of any interest in this Agreement, any interest in the Franchised Restaurant or more than twenty-five percent (25%) of the ownership of Franchisee (either by one or by a series of transfers), if Franchisee is a corporation, partnership, limited liability company or other entity. "Transfer" shall also include, in the event of Franchisee's death, a transfer to the surviving spouse, heirs, estate or other representative of Franchisee (the "**Survivor**").

(iii) Franchisor may require fulfillment of any or all of the following conditions precedent to the granting of consent to any transfer:

a. there shall be no existing default in the performance of Franchisee's obligations under this Agreement or under any other agreement with Franchisor or any of its affiliates;

b. the physical premises of the Franchised Restaurant shall be in complete compliance with Franchisor's then-current standards;

c. if required, the lessor of the Franchised Restaurant has consented to Franchisee's sublease or transfer of the lease or sublease for the premises to the proposed transferee;

d. the proposed transferee shall be qualified according to Franchisor's then-current standards for new franchisees, and shall have successfully completed Franchisor's initial training program;

e. the proposed transferee shall have executed Franchisor's then-current standard franchise agreement (which may contain terms that are material different from those set forth in this Agreement, including, without limitation, different financial terms) for a term of years equal to the remaining term of this Agreement, the proposed transferee shall have executed all ancillary agreements then required by Franchisor and all holders of an equity interest in the proposed transferee (if an entity) shall have executed Franchisor's then-current form of Guaranty;

f. the proposed transferee must successfully complete Franchisor's training program;

g. Franchisee shall have paid to Franchisor a transfer fee of fifty percent (50%) of then-current initial franchise fee if the proposed transferee is a new franchisee or twenty-five percent (25%) of then-current initial franchise fee if the proposed transferee is an existing franchisee. This transfer fee is payable when Franchisee notifies Franchisor of the desire to transfer and is non-refundable whether or not Franchisor consents to the transfer. If Franchisor does not consent to the transfer, Franchisor may retain its expenses;

h. Franchisee (and its principals if Franchisee is an entity) shall have executed a general release in a form acceptable to Franchisor of any and all claims against Franchisor and its officers, directors, employees, affiliates, owners, representatives and agents;

i. any obligations of the transferee to Franchisee shall be subrogated to the transferee's obligations to Franchisor under the Franchise Agreement it enters into with Franchisor;

j. The transferee is not: (i) a person designated by the U.S. Department of Treasury's Office of Foreign Assets Control from time to time as a "specially designated national or blocked person" or similar status, (ii) a person described in Section 1 of U.S. Executive Order 13224, issued on September 23, 2001, or (iii) a person otherwise identified by government or legal authority as a person with whom Franchisor is prohibited from transacting business ("**Specially Designated National or Blocked Person**") or a person in which a Specially Designated National or Blocked Person has an interest; and

k. Franchisee must transfer this Agreement together with all other agreements it has entered into with Franchisor and all rights thereunder to the transferee.

(iv) Franchisor's consent to any transfer shall not constitute a waiver of any claim that Franchisor may have against Franchisee or its owner(s), or of Franchisor's right to demand strict compliance with this Agreement.

(v) No interest in this Agreement or the franchise shall be the subject of a lien, security interest or pledge either in favor of Franchisee as part of a transfer of the franchise, or otherwise.

(c) Right of First Refusal. Franchisee shall provide Franchisor with complete information on the proposed transferee and terms of the transfer. Within sixty (60) days of receipt of the complete information and documents by Franchisee, Franchisor will inform Franchisee (i) whether it will exercise its right of first refusal, and (ii) if not, whether it will consent to the transfer. In the event that Franchisor notifies Franchisee that it will exercise its right of first refusal, except as provided below, Franchisor or its nominee will accept the transfer upon the same terms and conditions as set forth in the instruments and documents which embodied the proposed transfer. Franchisor shall not be required, by exercise of its right of first refusal, to perform obligations of the proposed transferee which are merely incidental to the transfer (e.g., employment agreements in favor of individuals, and brokers or finders fees to be paid by the proposed transferee to Franchisee or to any principal of Franchisee). Moreover, Franchisor shall have not less than sixty (60) days from the delivery of Franchisor's notice of exercise to consummate the transfer. If Franchisor elects not to exercise its right of first refusal and consents to the proposed transferee, Franchisee may consummate the proposed transfer, but only upon the terms and conditions set forth in the notice submitted to Franchisor.

(d) Death or Permanent Disability. If Franchisee, or the principal of a Franchisee that is not an individual, dies or is permanently disabled in a manner that prohibits operation of the Franchised Restaurant, the Survivor or, in the case of permanent disability, the representative of Franchisee shall, within sixty (60) days of such death or determination of permanent disability, either meet all of the qualifications required of franchisees or shall transfer this Agreement.

15. OPERATION IN THE EVENT OF ABSENCE, DISABILITY OR DEATH

It is imperative that the Franchised Restaurant be operated without any interruption and in a manner that will not cause harm to the Franchised Restaurant or the System. In order to insure such continued operation, in the event that Franchisee is not able to operate the Restaurant, by reason of illness, disability, death, or otherwise, Franchisee authorizes Franchisor, at Franchisor's sole option, to operate the Franchised Restaurant for as long as Franchisor deems necessary and practicable without waiver of any other rights or remedies Franchisor may have under this Agreement. All proceeds from the operation of the Franchised Restaurant during such period of operation by Franchisor shall be separately accounted for, and the expenses of the Franchised Restaurant, including Franchisor's then-current management fee and Franchisor's expenses shall be charged to said proceeds. If Franchisor, in its sole discretion, temporarily operates the Franchised Restaurant as provided in this section, Franchisee shall hold harmless and fully indemnify Franchisor and any representative(s) of Franchisor who may act hereunder.

16. DEFAULT AND TERMINATION

The following provisions are in addition to and not in limitation of any other rights and remedies Franchisor may have at law or in equity, all of which are expressly reserved. The exercise by Franchisor of any right or remedy shall not be deemed an election of remedies.

(a) With Notice and No Opportunity to Cure. This Agreement shall immediately terminate on delivery of notice of termination to Franchisee by Franchisor upon the

occurrence of any of the following events, each of which is deemed to be an incurable breach of this Agreement and each of which is deemed to be "good cause." If Franchisee:

(i) becomes insolvent or admits in writing Franchisee's inability to pay its debts as they mature, or makes an assignment for the benefit of creditors, files a petition under any foreign, state or United States bankruptcy act, receivership statute, or the like or if such a petition is filed by a third party, or if an application for a receiver is made by anyone and such petition or application is not resolved favorably to Franchisee within ninety (90) days. For purposes of this section, "insolvent" means Franchisee's liabilities exceed its assets;

(ii) abandons the Franchised Restaurant by failing to operate it for five (5) consecutive business days or for any shorter period in such circumstances that render reasonable the conclusion that Franchisee does not intend to continue operating the Franchised Restaurant, unless such failure is due to natural disaster or similar reasons beyond Franchisee's control;

(iii) has made any material misrepresentation or omission in the application for the Franchised Restaurant or in any report that Franchisee submits to Franchisor pursuant to this Agreement;

(iv) fails to obtain Franchisor's consent to the location of the Franchised Restaurant within the applicable time period specified in Subsection 3(c) of this Agreement;

(v) fails to commence operations of the Franchised Restaurant within the applicable time period specified in Subsection 3(h) of this Agreement;

(vi) is convicted by a trial court of or pleads no contest to a felony or other crime or offense or engages in conduct that reflects materially and unfavorably upon the operation and reputation of Franchisor or the System, or if any principal of Franchisee is convicted of or pleads no contest to a felony or other crime or offense or engages in such conduct;

(vii) fails, for a period of three (3) days after notification of noncompliance, to comply with any federal, state or local law or regulations applicable to the operation of the Franchised Restaurant; including, without limitation, the Americans with Disabilities Act

(viii) attempts to make or makes an unauthorized assignment, encumbrance or other transfer of Franchisee's rights or obligations under this Agreement;

(ix) is a party to any other agreement with Franchisor or its affiliates that is terminated for Franchisee's breach thereof;

(x) is evicted by the lessor for any reason or otherwise loses possession of the premises at which the Franchised Restaurant is located;

(xi) makes any unauthorized use of the Marks or Franchisor's trade secrets or makes any duplication or disclosure of any trade secrets;

(xii) fails on three (3) or more separate occasions during the term of this Agreement to pay on a timely basis any fees payable hereunder or otherwise fails to comply with this Agreement, whether or not such failures to comply are corrected after notice is delivered to Franchisee and whether or not such failures to comply relate to the same or different requirements of this Agreement;

(xiii) shall at any time have the Franchised Restaurant or its assets or premises seized, taken over or foreclosed by a government official in the exercise of such official's duties, or by a creditor, lien holder or lessor of Franchisee, or a writ or levy of execution shall issue against the franchise granted hereunder or the goods and chattels of Franchisee;

(xiv) intentionally under-reports its Gross Revenues to Franchisor;

(xv) if a judgment against Franchisee in the amount of more than Five Thousand Dollars (\$5,000.00) remains unsatisfied (unless an appeal is filed or a supersedeas bond is secured) for a period of more than thirty (30) days;

(xvi) if Franchisor determines, in its sole discretion, that continued operation of the Franchised Restaurant by Franchisee will result in imminent danger to public health or safety; or

(xvii) if the United States government designates Franchisee or any person mentioned in Subsection 14B(iii)(j) hereof a Specially Designated National or Blocked Person.

(b) With Notice and Opportunity to Cure. This Agreement shall terminate upon Franchisee's failure to cure any of the following, each of which is deemed to be "good cause":

(i) noncompliance with any requirement in this Agreement not listed in Subsection (a) above or as prescribed by Franchisor within thirty (30) days after notice thereof is delivered to Franchisee; or

(ii) failure to make payments to Franchisor for any amounts due within five (5) days after notice thereof is delivered to Franchisee.

If Franchisee cures the noncompliance or failure to pay within the specified time to Franchisor's satisfaction, Franchisee shall also be required to pay a cure fee of One Thousand Dollars (\$1,000.00) to Franchisor.

(c) No Waiver. The description of any default in any notice served upon Franchisee shall in no way preclude Franchisor from specifying additional or supplemental defaults in any action, arbitration, hearing or suit relating to this Agreement or the termination hereof.

(d) Enforcement. The decision to enforce or not to enforce compliance with its rules and regulations by other franchisees or licensees shall not affect Franchisor's right to enforce such rules and regulations against Franchisee, even under similar circumstances.

17. RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION

(a) Payment of Amounts Owed to Franchisor. Franchisee shall pay Franchisor immediately after the effective date of termination or expiration of this Agreement, all amounts due to Franchisor and all other amounts owed to Franchisor or its affiliates which are then unpaid.

(b) Marks. After the termination or expiration of this Agreement, Franchisee will:

(i) not directly or indirectly at any time or in any manner identify Franchisee or any business with which Franchisee is affiliated as a current or former franchisee or licensee of Franchisor, or as otherwise associated with Franchisor, or use any Mark, any imitation thereof or other indicia 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, or former connection or association, with Franchisor;

(ii) at Franchisor's option, return or destroy (and if destroyed, Franchisee must set forth with particularity in a writing signed by Franchisee or a principal thereof the items destroyed) all supplies bearing any Marks;

(iii) refrain from engaging in a competing business as provided in Section 13 above;

(iv) stop using the Marks and the System and return to Franchisor and all other proprietary information, including, without limitation, client lists;

(v) stop all use of all telephone numbers, facsimile numbers, e-mail addresses, home pages, web sites and the like that are associated with the Franchised Restaurant and cooperate with Franchisor in causing all applicable telephone companies and other service providers to reassign such numbers and addresses to Franchisor or its nominee including, without limitation, signing telephone transfer forms upon the execution of this Agreement or upon demand by Franchisor for use by Franchisor upon expiration or termination of this Agreement;

(vi) refrain from soliciting clients of the Franchised Restaurant, and turn over all customer information and data to Franchisor;

(vii) take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to Franchisee's use of any Marks;

(viii) assist in the smooth transition of the business to any successor franchisee;

(ix) refrain from making any disparaging comments regarding Franchisor or the System; and

(x) take such steps as are necessary to change the décor, signage, flooring, fixtures, furniture and equipment and other elements of décor and trade dress so that the premises no longer resemble a Restaurant.

(c) Continuing Obligations. All obligations of the parties that expressly or by nature survive the expiration or termination of this Agreement, including without limitation, Sections 11, 12 and 13, and shall continue in full force and effect subsequent to and notwithstanding its expiration or termination until they are satisfied in full or by nature expire.

(d) Option to Purchase. Upon termination or expiration of this Agreement, Franchisor or its nominee shall have the option, exercisable for sixty (60) days following the effective date of termination or expiration, to purchase some or all of the assets of the Franchised Restaurant. The purchase price for the assets will be the fair market value as determined by the parties. If the parties are unable to agree upon the fair market value of the assets, they shall jointly select an independent appraiser to do so. Franchisee and Franchisor shall each pay one-half (½) of the cost of appraisal. The fair market value of the assets shall be determined without giving effect to goodwill. Franchisor may deduct any amounts Franchisee owes to Franchisor, any liabilities relating to the assets, and, if Franchisor has not complied with the requirements of this Agreement to upgrade and renovate the Franchised Restaurant, the amount necessary to upgrade and renovate the Franchised Restaurant to reflect Franchisor's then-current image. The purchase price will be payable fifty percent (50%) at the time of closing and the balance in three (3) equal quarterly installments of principal plus interest at a rate per annum equal to the prime lending rate charged by Franchisor's bank determined as of the closing date. If the purchase is exercised following Franchisor's termination of this Agreement for cause or termination by Franchisee in breach of this Agreement, any and all costs, expenses, and liabilities incurred by Franchisor, including attorneys' fees and the cost of appraisal, in exercising this option and in acquiring said property, as well as any and all monies due and owing from Franchisee to Franchisor, plus any damages, expenses and costs incurred or suffered by Franchisor by reason of any default, breach, or violation of this Agreement by Franchisee, shall be deducted from the purchase price.

18. CONDEMNATION AND CASUALTY

(a) Franchisee shall give Franchisor notice of any proposed taking through the exercise of the power of eminent domain, at the earliest possible time. If the Franchised Restaurant or a substantial part of the Franchised Restaurant is to be taken, it may be relocated within the Territory. If such relocation is authorized and Franchisee opens a new Anchor Bar restaurant at such other location in accordance with Franchisor's specifications within one year of the closing of the old Anchor Bar restaurant, the new Anchor Bar restaurant will thereafter be deemed to be the Franchised Restaurant franchised under this Agreement. If such a condemnation takes place and a new Anchor Bar restaurant does not, for whatever reason, become the Franchised Restaurant under this Agreement in accordance with this section, then this Agreement shall terminate immediately upon notice by Franchisor to Franchisee.

(b) If the Franchised Restaurant is damaged by fire or other casualty, Franchisee will expeditiously repair the damage. If the damage or repair requires closing the Franchised Restaurant, Franchisee will immediately notify Franchisor, will repair or rebuild the Franchised Restaurant in accordance with Franchisor's specifications, and will reopen the Franchised Restaurant for continuous business operations as soon as reasonably practicable (but in any event within one year after closing of the Franchised Restaurant), giving Franchisor advance notice of the date of reopening. If the Franchised Restaurant is not reopened in accordance with this paragraph, this Agreement shall terminate immediately upon notice by Franchisor to Franchisee.

19. UNAVOIDABLE DELAYS

In the event of failure to perform or delays in the performance of any duties hereunder caused by forces not within the reasonable preventive control of the party due to perform, for example (without limitation), government regulations, fire, flood, labor disputes, natural disasters, acts of God, civil disorders, riots, insurrections, work stoppages, slowdowns or disputes, or other similar events, such failures or delays shall not cause a default in said performance, but, in the event of delay, the parties shall extend the time of performance for a period of time equivalent to the length of delay, or for such other reasonable period of time as agreed to between the parties, provided that such extension shall not enlarge or extend the term of Agreement; and further provided, that the foregoing shall not excuse a party's failure to make any payment of money when due.

20. INVALID OR UNENFORCEABLE PROVISIONS

If any provision of this Agreement, or its application to any person or circumstances, is invalid or unenforceable, then the remainder of this Agreement or the application of such provision to other persons or circumstances shall not be affected thereby.

21. RELATIONSHIP BETWEEN PARTIES

(a) Nothing herein contained shall be deemed or construed to create the relationship of principal and agent, partnership, joint venture or employment, or a fiduciary relationship, and neither party shall hold itself out as an agent, legal representative, partner, subsidiary, joint venturer, servant or employee of the other party or its affiliate. With respect to all matters pertaining to the operation of the business conducted hereunder, Franchisee is, and shall be, an independent contractor. Neither Franchisor nor Franchisee has the right to bind or obligate the other to any obligations or debts.

(b) Franchisee is the independent owner of its business, shall be in full control thereof, and shall conduct such business in accordance with its own judgment and discretion, subject only to the provisions of this Agreement. Franchisee shall conspicuously identify itself as the independent owner of its business and as a franchisee of Franchisor. No party hereto shall be obligated by, or have any liability for, any agreements, representations or warranties made by the other nor shall Franchisor be liable for any damages to any person or property, directly or indirectly, arising out of the operation of Franchisee's business, whether caused by Franchisee's negligent or willful action or failure to act. Neither party shall have liability for any sale, use, excise, income, property or other tax levied upon the business conducted by the other party.

(c) Franchisee's employees are under Franchisee's sole control. Franchisor is not the employer or joint employer of Franchisee's employees. Franchisor will not exercise direct or indirect control of Franchisee's employees' working conditions. Franchisor does not share or codetermine the terms and conditions of employment of Franchisee's employees or participate in matters relating to the employment relationship between Franchisee and its employees, such as hiring, promotion, demotion, termination, hours or schedule worked, rate of pay, benefits, work assigned, discipline, response to grievances and complaints or working conditions. Franchisee has sole responsibility and authority for these terms and conditions of employment. Franchisee must notify and communicate clearly with its employees in all dealings, including, without limitation, its written and electronic correspondence, paychecks, and

other materials, that Franchisee (and only Franchisee) is their employer and that Franchisor is not their employer.

22. WAIVER

No failure of Franchisor or Franchisee to exercise any power hereunder granted, or to insist on strict compliance by the other with any obligation or condition hereunder, or of Franchisor to approve or disapprove any action of Franchisee, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of either party's right to demand exact compliance with the terms hereof. Waiver by either party of any particular default by the other shall not affect or impair any rights with respect to any subsequent default of the same or of a different nature; nor shall any delay or omission of either party to exercise any rights arising from a default affect or impair any rights as to said default or any subsequent default.

23. NOTICES

All notices hereunder shall be hand delivered or sent by express mail, federal express or air courier or by registered or certified mail to Franchisor and Franchisee at the respective addresses set forth on the first page of this Agreement, unless Franchisor and/or Franchisee shall from time to time change said addresses by written notice to the other as provided herein. Any notice given by registered or certified mail shall be deemed received by the party to whom it is addressed on the third day after such notice is deposited in the United States mail with postage thereon fully prepaid, return receipt requested. Any notice given by express mail, federal express or air courier shall be deemed given the next business day.

24. APPLICABLE LAW

This Agreement shall be governed in all respects and aspects by and construed in accordance with the laws of the State of Delaware, subject to the Lanham Act (15 U.S.C. 1051 *et seq.*). Nothing in this section is intended, or shall be deemed, to make the Delaware Franchise Security Law or any similar law apply to this Agreement or the transactions or relationships contemplated hereby, if such law would not otherwise be applicable.

25. RESOLUTION OF DISPUTES

(a) Upon the occurrence of any dispute or disagreement between the parties hereto arising out of or in connection with any term or provision of this Agreement, the subject matter hereof, or the interpretation or enforcement hereof (in each case, a "**Dispute**"), the Dispute shall first be submitted to mediation on an expedited basis in Buffalo, New York, administered by JAMS or its successor in accordance with the JAMS rules and procedures then in effect. Either party may commence mediation by providing to JAMS and the other party a written request for mediation, setting forth the subject of the Dispute and the relief requested, with the expectation that the first mediation session shall occur within forty-five (45) days of such written request. The party seeking the mediation must submit the following in addition to any demand or filing required by JAMS: a full and specific description of the claim(s) under this Agreement including without limitation an identification of the specific provisions that the other party has breached, documentary evidence of the facts alleged by the complaining party and a declaration that under penalty of perjury that all facts stated in the claim and documentation are true and correct and do not fail to state facts known to the complaining party that are material to the determination of the Dispute. The parties will cooperate with JAMS and with one another in selecting a neutral mediator from the JAMS panel of neutrals and in scheduling the mediation

proceedings. The mediator must be a retired judge or an attorney experienced in complex commercial transactions. If the parties are unable to select the mediator within ten (10) business days after receipt of the mediation notice by JAMS, then JAMS shall designate the mediator. The parties covenant that they will (i) participate in the mediation in good faith, (ii) share equally in the costs of the mediator and related JAMS administrative costs, and (iii) pay in advance the estimated reasonable fees and costs of the mediation, as may be specified in advance by the mediator. 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 and any JAMS employees, are confidential, privileged and inadmissible for any purpose, including impeachment, in any reference, arbitration, litigation or other proceeding involving the parties, provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation. In the event it is necessary, any party may file a motion in a court having jurisdiction to compel the other party to participate in the mediation and the prevailing party shall be awarded its costs and expenses, including attorney's fees in connection with such motion. If the Dispute is not resolved within ten (10) business days after the first mediation session, either party may (i) give written notice to JAMS and the other party that the mediation is terminated and (ii) submit the Dispute to binding arbitration pursuant to Subsection (b) below.

(b) If the parties are unable to resolve the Dispute pursuant to Subsection (a) above, then the parties shall submit the Dispute to final and binding arbitration in Buffalo, New York, administered by JAMS, or its successor, in accordance with the rules and procedures of JAMS then in effect. The parties agree that any and all Disputes that are submitted to arbitration in accordance with this Agreement shall be decided by one (1) neutral arbitrator who is a retired judge or attorney who is experienced in complex commercial transactions. If the parties are unable to agree on an arbitrator, JAMS shall designate the arbitrator. The parties will cooperate with JAMS and with one another in selecting the arbitrator and in scheduling the arbitration proceedings in accordance with applicable JAMS procedures. The arbitration shall be conducted in accordance with the JAMS Comprehensive Rules. Any party may commence the arbitration process called for in this Agreement by filing a written demand for arbitration with JAMS, with a copy to the other party. The party seeking arbitration must submit the following in addition to any demand or filing required by JAMS: a full and specific description of the claim(s) under this Agreement including without limitation an identification of the specific provisions that the other party has breached, documentary evidence of the facts alleged by the complaining party and a declaration under penalty of perjury that all facts stated in the claim and documentation are true and correct and do not fail to state facts known to the complaining party that are material to the determination of the Dispute. Any award issued as a result of such arbitration shall be final and binding between the parties thereto and shall be enforceable by any court having jurisdiction over the party against whom enforcement is sought. The parties expressly acknowledge and understand that by entering into this Agreement, they each are waiving their respective rights to have any Dispute between the parties hereto adjudicated by a court or by a jury.

(c) The parties' relationship is unique and each franchisee is situated differently from all other franchisees, and no one franchisee can adequately represent the interest of others. Therefore, any mediation, arbitration, suit, action or other legal proceeding shall be conducted and resolved on an individual basis only and not on a class-wide, multiple plaintiff, consolidated or similar basis.

(d) The prevailing party in any legal proceeding will be entitled to recover as an element of such party's cost of arbitration, suit or proceeding, and not as damages,

attorney's fees to be fixed by the arbitrator or by the court. Nothing in this Agreement shall be construed as limiting or precluding either party from bringing any action in any court of competent jurisdiction for injunctive or other extraordinary relief, without the necessity of posting a bond (and if bond shall nevertheless be required, the parties agree that the sum of \$100.00 shall be sufficient bond), in connection with the Marks or Franchisor's trade dress, proprietary or confidential information or trade secrets. The parties shall have the immediate right to seek such injunctive or other extraordinary relief at any time, including without limitation, during the pendency of an arbitration or other proceeding. This covenant shall be independent, severable and enforceable notwithstanding any other rights or remedies which such party may have.

26. TERMINOLOGY

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

27. ENTIRE AGREEMENT

(a) This Agreement and the exhibits attached hereto and incorporated herein, if any, contain the entire agreement of the parties and there are no representations, inducements, promises, agreements, arrangements or undertakings, oral or written, between the parties hereto other than those set forth and duly executed in writing in this Agreement; provided, however, that nothing in this Agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.

(b) Upon execution of this Agreement by Franchisor, all previous agreements, contracts, arrangements or undertakings of any kind relative to the franchise granted herein are canceled, and as between the parties hereto, all claims and demands are fully satisfied. If Franchisee is a corporation, partnership or other entity, those shareholders, partners and other persons owning an interest in such entity shall sign Franchisor's form of confidentiality and non-competition agreement. If Franchisee is a corporation, partnership or other entity, Franchisor will determine which of the shareholders, partners or other principals shall sign Franchisor's form of Guaranty and Assumption of Franchisee's Obligations, in accordance with Franchisor's criteria, set forth on **Exhibit E** attached hereto and incorporated herein.

(c) Franchisee's spouse or the spouses of all owners of Franchisee if Franchisee is an entity, shall execute a spousal consent in the form attached hereto as **Exhibit C**.

28. AMENDMENT OF AGREEMENT

This Agreement shall not be modified or amended except by written agreement executed by both parties hereto; provided, however, that Franchisor may unilaterally amend the Operations Manual from time to time.

29. COSTS AND EXPENSES OF ENFORCEMENT

The prevailing party shall recover the reasonable costs and expenses, including reasonable attorney's fees, incurred by such party in connection with any legal proceeding involving the enforcement of any of the provisions of this Agreement.

30. CAPTIONS

The section headings throughout this Agreement are for convenience and reference only, and the words contained therein shall not be held to expand, modify, amplify, or aid in the interpretation or construction of this Agreement.

31. REPRESENTATIONS AND WARRANTIES

(a) Franchisee represents and warrants to Franchisor that neither Franchisor nor any of its representatives has made any of the following representations:

(i) that Franchisor guarantees, conditionally or unconditionally, or make a written or oral representation (a) that would cause a reasonable person in Franchisee's position to believe that income is assured, (b) that Franchisee will derive income from the Franchised Restaurant, (c) that Franchisee's investment is protected from loss or (d) that Franchisee can earn a profit in excess of its initial payment;

(ii) that Franchisor will refund all or part of the fees paid by Franchisee (including, without limitation, a representation that Franchisor will refund Franchisee's initial payment or return any promissory note upon termination or non-renewal of the Franchised Restaurant) or repurchase any of the products, equipment, supplies, goods or chattels supplied by Franchisor or its affiliate to Franchisee;

(iii) that Franchisee will be provided with retail outlets or accounts, or assistance in establishing retail outlets or accounts, for the sale or distribution of goods or services; or

(iv) that there is a market for the goods or services to be offered, sold or distributed by Franchisee.

(b) Franchisee acknowledges that Franchisor is relying on the representations and warranties set forth above in deciding to grant a franchise to Franchisee.

32. FRANCHISEE'S ACKNOWLEDGMENTS

(a) FRANCHISEE REPRESENTS AND WARRANTS THAT FRANCHISEE IS EXPERIENCED AND SKILLED IN THE OPERATION OF RESTAURANTS.

(b) NEITHER FRANCHISEE (INCLUDING, WITHOUT LIMITATION, ANY AND ALL OF ITS DIRECTORS AND OFFICERS, IF ANY), NOR ANY OF ITS AFFILIATES OR THE FUNDING SOURCES FOR EITHER IS A SPECIALLY DESIGNATED NATIONAL OR BLOCKED PERSON. NEITHER FRANCHISEE NOR ANY OF ITS AFFILIATES IS DIRECTLY OR INDIRECTLY OWNED OR CONTROLLED BY THE GOVERNMENT OF ANY COUNTRY THAT IS SUBJECT TO AN EMBARGO BY THE UNITED STATES GOVERNMENT. NEITHER FRANCHISEE NOR ANY OF ITS AFFILIATES IS ACTING ON BEHALF OF A GOVERNMENT

OF ANY COUNTRY THAT IS SUBJECT TO SUCH AN EMBARGO. FRANCHISEE FURTHER REPRESENTS AND WARRANTS THAT IT IS IN COMPLIANCE WITH ANY APPLICABLE ANTI-MONEY LAUNDERING LAW, INCLUDING, WITHOUT LIMITATION, THE USA PATRIOT ACT. FRANCHISEE WILL NOTIFY FRANCHISOR IN WRITING IMMEDIATELY UPON THE OCCURRENCE OF ANY EVENT THAT WOULD RENDER THE FOREGOING REPRESENTATIONS AND WARRANTIES OF THIS SECTION INCORRECT.

(c) BY SIGNING THIS AGREEMENT, FRANCHISEE AGREES TO HAVE ALL DISPUTES, CLAIMS OR CONTROVERSIES ARISING OUT OF OR RELATING TO THIS AGREEMENT DECIDED BY NEUTRAL ARBITRATION IN BUFFALO, NEW YORK, AND FRANCHISEE IS GIVING UP ANY RIGHTS IT MIGHT POSSESS TO HAVE THOSE MATTERS LITIGATED IN A COURT OR JURY TRIAL. BY SIGNING THIS AGREEMENT FRANCHISEE IS GIVING UP ITS JUDICIAL RIGHTS TO DISCOVERY AND APPEAL EXCEPT TO THE EXTENT THAT THEY ARE SPECIFICALLY PROVIDED FOR UNDER THIS AGREEMENT. IF FRANCHISEE REFUSES TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION FRANCHISEE MAY BE COMPELLED TO ARBITRATE UNDER FEDERAL OR STATE LAW. FRANCHISEE'S AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

(d) NO REPRESENTATION, PROMISE, GUARANTEE OR WARRANTY WAS MADE TO INDUCE THE EXECUTION OF THIS AGREEMENT OR IN CONNECTION HERewith WHICH IS NOT EXPRESSLY CONTAINED HEREIN. NEITHER FRANCHISOR NOR ANY OTHER PERSON CAN GUARANTEE FRANCHISEE'S SUCCESS IN THE FRANCHISED RESTAURANT. BY THE EXECUTION AND ACCEPTANCE OF THIS AGREEMENT, THE PARTIES HERETO STATE THAT THEY HAVE READ THE SAME AND UNDERSTAND EACH PROVISION HEREOF. THIS AGREEMENT, ALTHOUGH DRAWN BY FRANCHISOR, SHALL NOT BE CONSTRUED MORE STRICTLY AGAINST ONE PARTY THAN AGAINST THE OTHER PARTY.

(e) FRANCHISEE HAS HAD THE OPPORTUNITY, AND HAS BEEN ADVISED BY FRANCHISOR, TO CONSULT WITH FRANCHISEE'S OWN INDEPENDENT ADVISORS SUCH AS ATTORNEYS, ACCOUNTANTS, BANKERS AND BUSINESS CONSULTANTS REGARDING THIS FRANCHISE AND THE BUSINESS CONTEMPLATED BY THIS AGREEMENT AND THAT FRANCHISEE IS NOT RELYING ON ANY REPRESENTATIONS OR STATEMENTS OTHER THAN THOSE SET FORTH IN THIS AGREEMENT AND FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT. FRANCHISEE SHALL COMPLY WITH ALL APPLICABLE LAW IN THE OPERATION OF THE FRANCHISED RESTAURANT AND ITS BUSINESS AND SHALL CONSULT WITH ITS OWN INDEPENDENT ADVISORS TO THE EXTENT NECESSARY TO DO SO; FRANCHISOR SHALL NOT BE RESPONSIBLE FOR THE OPERATION OF FRANCHISEE'S BUSINESS. WHENEVER A PROVISION OF THIS AGREEMENT PROVIDES FOR FRANCHISOR'S REVIEW AND CONSENT OR APPROVAL, FRANCHISOR'S REVIEW SHALL NOT BE TO DETERMINE COMPLIANCE WITH LAW, WHICH COMPLIANCE IS THE SOLE RESPONSIBILITY OF FRANCHISEE.

(f) DIFFERENT FRANCHISEES AND LICENSEES OF FRANCHISOR MAY BE OPERATING IN DIFFERENT TYPES OF LOCATIONS AND UNDER DIFFERENT TYPES OF AGREEMENTS. FRANCHISOR'S DECISION TO ENFORCE OR NOT TO ENFORCE THE PROVISIONS OF ITS AGREEMENTS WITH SUCH OTHER FRANCHISEES AND LICENSEES WILL HAVE NO EFFECT WHATSOEVER ON FRANCHISOR'S RIGHTS AND ABILITY TO ENFORCE THE PROVISIONS OF THIS AGREEMENT.

33. EFFECTIVE DATE

This Agreement shall become effective and binding upon execution and delivery by Franchisor.

DATE: _____
Franchisee (Print Name)

By: _____

Title: _____

DATE: _____ ANCHOR BAR FRANCHISE & DEVELOPMENT,
LLC

By: _____

Name: _____

Title: _____

EXHIBIT A

LOCATION OF RESTAURANT AND TERRITORY

Description of Territory:

Location of Restaurant:

If the Territory and Restaurant Location have not been determined as of the date of the Franchise Agreement, then the non-exclusive Geographic Area is:

EXHIBIT B

LOCATION ADDENDUM

THIS ADDENDUM TO FRANCHISE AGREEMENT (the “**Addendum**”) is entered into as of this _____, by and between Anchor Bar Franchise & Development, LLC, a Delaware limited liability company (the “**Franchisor**”), and _____, a(n) _____ (the “**Franchisee**”).

The following provisions shall amend and be incorporated into the Franchise Agreement, dated as of the ____ day of _____, 20__, between Franchisor and Franchisee (the “**Franchise Agreement**”). All capitalized terms not defined in this Addendum shall have the respective meanings set forth in the Franchise Agreement.

1. Schedule A of the Franchise Agreement is amended by adding the following:

Description of Territory: _____

Location of Franchised Restaurant: _____

2. To the extent not amended herein, all other terms and conditions of the Franchise Agreement shall remain in full force and effect. No reference to the amendments contained herein need be made in any instrument or document at any time referring to the Franchise Agreement and any such reference is deemed to be a reference to the Franchise Agreement as amended by this Addendum.

IN WITNESS WHEREOF, the parties hereto have executed this Addendum on the date stated on the first page hereof.

Franchisor:

ANCHOR BAR FRANCHISE & DEVELOPMENT, LLC

By: _____

Title: _____

Franchisee:

(Signature)

(Print Name and Title, if applicable)

EXHIBIT C

SPOUSAL CONSENT

The undersigned each being the spouse of a Franchisee (or the spouse of an owner of Franchisee) hereby states

- 1) That he or she has read and understands the Franchise Agreement and the Franchise Disclosure Document; and
- 2) That he or she consents to the terms and conditions of the Franchise Agreement, including but not limited to those concerning transfer, and
- 3) That he or she consents to execution of the Franchise Agreement by Franchisee; and
- 4) That he or she consents to execution of the Guaranty and Assumption of Franchisee's Obligations.

Dated: _____

Signature: _____

Print Name: _____

**EXHIBIT D
INFORMATION REGARDING
NON-INDIVIDUAL FRANCHISEES**

(1) If Franchisee is a corporation, partnership, limited liability company or other entity, there is set forth below the name, address, title and percentage ownership of each shareholder, partner or member of Franchisee:

NAME	ADDRESS	TITLE	PERCENTAGE OWNERSHIP
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

(2) If Franchisee is a corporation or limited liability company, there is set forth below the name, address and title of each officer and director or manager of Franchisee:

NAME	ADDRESS	TITLE
_____	_____	_____
_____	_____	_____
_____	_____	_____

(3) The address where Franchisee's records are maintained is:

(4) There is set forth below the name, address and title of each of Franchisee's principal officers or partners who will be devoting their full time efforts to the operation of the licensed business.

NAME	ADDRESS	TITLE
_____	_____	_____
_____	_____	_____
_____	_____	_____

DATE: _____

Name and Title of Person Completing Exhibit

Signature

EXHIBIT E

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the "**Agreement**") with Anchor Bar Franchise & Development, LLC ("**Franchisor**") of even date herewith, each of the undersigned hereby personally and unconditionally: (1) guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that _____

("Franchisee") shall punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement; and (2) agrees to be personally bound by and personally liable for the breach of each and every provision in the Agreement, including but not limited to monetary obligations.

Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (4) any right he/she may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (5) any and all other notices and demands and legal and equitable defenses to which he/she may be entitled.

Each of the undersigned consents and agrees that: (1) his/her liability under this guaranty shall be joint and several; (2) he/she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) he/she will individually comply with all the provisions and subsections of the Agreement and any renewals and amendments thereto; (4) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (5) such liability shall not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which Franchisor may, from time to time, grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall, in any way, modify or amend this guaranty which shall be continuing and irrevocable during the term of the Agreement and thereafter.

If any provision of this Agreement is deemed to be invalid or inoperative, for any reason, that part shall be deemed modified to the extent necessary to make it valid and operative or if it cannot be so modified, then severed, and the remainder of the Agreement shall continue in full force and effect as if it had been executed and entered into with the invalid portion so modified or eliminated.

IN WITNESS WHEREOF, each of the undersigned hereto affixed his/her signature effective on the same day and year as the executed Agreement.

GUARANTOR(S)

By: _____
Print Name: _____

By: _____
Print Name: _____

By: _____
Print Name: _____

By: _____
Print Name: _____

By: _____
Print Name: _____

ANCHOR BAR FRANCHISE & DEVELOPMENT, LLC

By: _____
Name: _____
Title: _____

**ADDENDUM
TO THE FRANCHISE AGREEMENT OF
ANCHOR BAR FRANCHISE & DEVELOPMENT, LLC
REQUIRED BY THE STATE OF ILLINOIS**

1. Illinois law governs the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Your rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

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

The provisions of this Addendum only apply if the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute.

Date: _____

ANCHOR BAR FRANCHISE &
DEVELOPMENT, LLC
a Delaware limited liability company

By: _____
Name: Mark Dempsey
Title: Chief Executive Officer

651 Delaware Avenue
Buffalo, New York 14202

FRANCHISEE:

By: _____

Name: _____

Title: _____

Address: _____

**ADDENDUM
TO THE FRANCHISE AGREEMENT OF
ANCHOR BAR FRANCHISE & DEVELOPMENT, LLC
REQUIRED BY THE STATE OF MARYLAND**

1. The following provision is hereby added to Sections 5(e) and 14(b)(iii)(e) of the Franchise Agreement:

"The general release required as a condition of renewal, sale and/or assignment is not intended to, nor will it act as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law."

2. The following sentence is hereby added to Section 25(b) of the Franchise Agreement:

"This Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable."

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

4. Sections 31 and 32(d) and (e) are deleted from the Franchise Agreement.

The provisions of this Addendum only apply if the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met

independently without reference to this Addendum and to the extent they are then valid requirements of the statute.

Dated: _____

ANCHOR BAR FRANCHISE &
DEVELOPMENT, LLC
a Delaware limited liability company

By: _____

Name: Mark Dempsey

Title: Chief Executive Officer

FRANCHISEE:

By: _____

Name: _____

Title: _____

**ADDENDUM
TO THE FRANCHISE AGREEMENT OF
ANCHOR BAR FRANCHISE & DEVELOPMENT, LLC
REQUIRED BY THE STATE OF VIRGINIA**

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

The provisions of this Addendum only apply if the jurisdictional requirements of the Virginia Retail Franchising Act are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute.

EXHIBIT E

ADDENDUM
TO THE FRANCHISE DISCLOSURE DOCUMENT OF
ANCHOR BAR FRANCHISE & DEVELOPMENT, LLC
REQUIRED BY THE STATE OF CALIFORNIA

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

Item 3. Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

Item 6. In California, the highest interest rate permitted by law is 10%.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The franchise agreement requires binding arbitration. The arbitration will occur at the offices of the Judicial Arbitration and Mediation Service ("JAMS") in Buffalo, New York, with the costs being borne as provided in JAMS' rules, provided that the prevailing party may recover its costs. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The franchise agreement requires application of the laws of Delaware. This provision may not be enforceable under California law.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

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

Notwithstanding anything disclosed in this Addendum, the parties have a meeting of the minds and agree upon the terms of the Franchise Agreement.

The provisions of this Addendum only apply if the jurisdictional requirements of the California Franchise Investment Law and the California Franchise Relations Act are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute.

**ADDENDUM
TO THE FRANCHISE DISCLOSURE DOCUMENT OF
ANCHOR BAR FRANCHISE & DEVELOPMENT, LLC
REQUIRED BY THE STATE OF ILLINOIS**

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

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

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

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

The provisions of this Addendum only apply if the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute.

**ADDENDUM
TO THE FRANCHISE DISCLOSURE DOCUMENT OF
ANCHOR BAR FRANCHISE & DEVELOPMENT, LLC
REQUIRED BY THE STATE OF MARYLAND**

1. Item 11. You may obtain an accounting of the advertising fund by making a request to us.

2. Item 17(c) – Requirements for Franchisee to Renew or Extend. The general release required as a condition of renewal shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Item 17(m) – Conditions for Franchisor Approval of Transfer. The general release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4. Item 17(h) – "Cause" Defined – Non-Curable Defaults. Provisions for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.)

5. Item 17(v) – Choice of Forum. A Maryland franchise regulation provides that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

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

The provisions of this Addendum only apply if the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute.

**ADDENDUM
TO THE FRANCHISE DISCLOSURE DOCUMENT OF
ANCHOR BAR FRANCHISE & DEVELOPMENT, LLC
REQUIRED BY THE STATE OF NEW YORK**

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

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

2. The following is added at the end of Item 3:

“Except as may be provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor’s principal trademark:

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise, antitrust or securities law; fraud; embezzlement; fraudulent conversion; misappropriation of property; unfair or deceptive practices; or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antitrust or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunction or restrictive order or decree relating to the franchise, or under a federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is

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

3. Item 4. Item 4 of the Disclosure Document is amended by deleting the disclosure and substituting the following:

“Neither the franchisor, its affiliate, its predecessor, officers nor its general partner, during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held his position in the company or partnership.”

4. The following is added to the “Summary” section of Item 17(d), titled **“Termination by franchisee”**:

“You may terminate the agreement on any grounds available by law.”

5. The following is added to the “Summary” section of Item 17(j), titled **“Assignment of contract by franchisor”**:

“However, no assignment will be made except to an assignee who, in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the franchise agreement.”

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

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

The provisions of this Addendum only apply if the jurisdictional requirements of the New York Franchise Law are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute.

**ADDENDUM
TO THE FRANCHISE DISCLOSURE DOCUMENT OF
ANCHOR BAR FRANCHISE & DEVELOPMENT, LLC
REQUIRED BY THE COMMONWEALTH OF VIRGINIA**

1. Item 17(h). The following is added to Item 17(h):

"Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground 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."

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

The provisions of this Addendum only apply if the jurisdictional requirements of the Virginia Retail Franchising Act are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute.

EXHIBIT F

ANCHOR BAR FRANCHISE & DEVELOPMENT, LLC
List of Current Franchisees
(As of December 31, 2023)

California

Michael Sekera
Ynez Road
Temecula, CA 92592
(951) 265-7717

Franchise Agreement signed but restaurant
not opened as of December 31, 2023

Colorado

Mile High Wings
684 Takin Drive
Severance, CO 80550
(970) 821-5148

Franchise Agreement signed but restaurant
not opened as of December 31, 2023

Florida

M&M Wings on Faith, LLC
2670 Old Medulla Rd.
Lakeland, FL 33811
(717) 424-5988

Franchise Agreement signed but restaurant
not opened as of December 31, 2022

Georgia

SHARK-Buds, LLC
2708 Town Center Drive
Kennesaw, GA 30144
(678) 838-1777

Illinois

Gulley, Inc.
2440 US Highway 34
Oswego, IL 60543
(331) 717-2900

Maryland

GPL Enterprise, LLC
5605 Spectrum Drive
Frederick, MD 21703
(240) 651-5580

New York

Maple Road Wings, LLC
4300 Maple Road
Amherst, NY 14226
(716) 833-9464

Compass Group USA
dba Chartwells
Buffalo State College
Campbell Student Union 223
1300 Elmwood Ave.
Buffalo, NY 14222
(716) 878-3486

CLP Darien Lake, LLC
Darien Lake Theme Park and Resort
9993 Alleghany Road
Darien Center, NY 14040
(585) 599-4641

Merani Hotel Group
Holiday Inn Anchor Bar
114 Buffalo Ave
Niagara Falls, NY 14303
(716) 371-0234

Schiappa Wings, LLC
6633 Transit Road
Williamsville, NY 14221
(716) 932-7228

North Carolina

Savage Wings LLC
P.O. Box 1472
Apex, NC 27502
(919) 427-9373

Franchise Agreement signed but restaurant
not opened as of December 31, 2023

Ohio

Queen City Wings, Inc.
11913 Stonemark Ln.
Loveland, OH 45140-6219
(978) 902-6976

Franchise Agreement signed but restaurant
not opened as of December 31, 2023

Texas

Blazing B's, Inc.
212 Summit VW
Cibolo, TX 78108
(210) 792-3229

Franchise Agreement signed but restaurant
not opened as of December 31, 2023

McCluges Enterprises
812 Regal Bluff Lane
Desoto, TX 75116
(214) 497-0709

Franchise Agreement signed but restaurant
not opened as of December 31, 2023

AV Group Anchor1 LLC
7256 Notre Dame Drive
Irving, TX 75063
(732) 421-3460

Franchise Agreement signed but restaurant
not opened as of December 31, 2023

YTRAB Wing, Inc.
2702 Parker Drive, Suite B
Round Rock, TX 78681
(512) 494-6727

Bramerson, Inc.
The Ridge Shopping Center
4553 N. Loop 1604 W.
San Antonio, TX 78249
(210) 492-9464

Schertz-Bramerson, Inc.
3900 FM3009, Suite 101
Schertz, TX 78153
(210) 463-9064

Virginia

Xenith Management Group LLC
1609 Village Market Blvd., Suite 105
Leesburg, VA 20175
(703) 891-0744

ANCHOR BAR FRANCHISE & DEVELOPMENT, LLC
List of Former Franchisees
(January 1, 2023 to December 31, 2023)

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

Bramerson, Inc.
San Marcos, TX 78666
(214) 364-6442

EXHIBIT G

Anchor Bar Franchise Operations Manual

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EXHIBIT H

**ADDENDUM
RELATING TO
ANCHOR BAR FRANCHISE & DEVELOPMENT, LLC
FRANCHISE AGREEMENT**

THIS ADDENDUM (Addendum) is made and entered into on _____, 20__, by Anchor Bar Franchise & Development, LLC, a Delaware limited liability company located at 651 Delaware Avenue, Buffalo, New York 14202 (Franchisor), and _____, a(n) _____, located at _____ (Franchisee).

Recitals. Franchisor and Franchisee entered into a Franchise (or License) Agreement on _____, 20__, (Franchise Agreement). The Franchisee agreed among other things to operate and maintain a franchise located at _____ (Unit). Franchisee has obtained from a lender a loan (Loan) in which funding is provided with the assistance of the United States Small Business Administration (SBA). SBA requires the execution of this Addendum as a condition for obtaining the SBA assisted financing.

NOW, THEREFORE, in consideration of the mutual promises below, and for good and valuable considerations in hand paid by each of the parties to the others, the receipt and sufficiency of which the parties acknowledge, the parties agree as follows:

1. The Franchise Agreement is in full force and effect, and Franchisor has sent no official notice of default to Franchisee under the Franchise Agreement that remains uncured on the date hereof.
2. Franchisor will not unreasonably withhold, delay or condition its consent to any proposed transfer or assignment by Franchisee which requires Franchisor's consent under Section 14(B) of the Franchise Agreement.
3. Section 14(C) of the Franchise Agreement provides that the Franchisor (or any third party assignee of the Franchisor) may elect pursuant to its right of first refusal to exercise said option when the Franchisee decides to sell partial interest(s) in the business. This section is hereby amended to reflect that the Franchisor (or any third party assignee of the Franchisor) will not exercise the option for any partial sale of the Franchisee's business.
4. If the Franchisor must operate the business under Section 15 of the Franchise Agreement, Franchisor will operate the business for a 90-day renewable term, renewable as necessary for up to one year and the Franchisor will periodically discuss the status with the franchisee or its heirs.
5. This Addendum automatically terminates on the earliest to occur of the following: (i) a termination occurs under the Franchise Agreement; (ii) the Loan is paid; or (iii) SBA no longer has any interest in the Loan.

IN WITNESS WHEREOF, the parties hereto have duly signed and executed this Addendum as of the day and year first above written.

FRANCHISOR:

Anchor Bar Franchise & Development, LLC

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

By: _____

Print Name: _____

Title: _____

EXHIBIT I

Exhibit I

The Franchise Agreement provides that the Franchisee must sign a General Release in a form satisfactory to Anchor Bar as a condition to renewal, transfer or a move to a new state. Following is the form of Agreement and General Release that Anchor Bar uses as of the date the Franchise Disclosure Document was issued. It is subject to change at any time by Anchor Bar without notice.

AGREEMENT AND GENERAL RELEASE

In accordance with the requirements of the Franchise Agreement and in consideration of good and valuable consideration including Anchor Bar's offer to permit Franchisee to renew or transfer the Franchise Agreement, the receipt and sufficiency of which is hereby acknowledged, _____, an individual ("**Franchisee**"), on behalf of herself, himself or itself and her, his or its Representatives hereby irrevocably and fully relieves, releases and forever discharges Anchor Bar Franchise & Development, LLC, a Delaware limited liability company ("**Anchor Bar**") and its Representatives (together with Anchor Bar referred to as the "**Releasees**") from the Claims, as those terms are defined below.

"**Franchise Agreement**" means the Franchise Agreement dated _____, between Anchor Bar and Franchisee.

"**Representatives**" means, as applicable, spouse, officers, directors, partners, stockholders, members, managers, employees, agents, representatives, attorneys, accountants, insurers, adjusters, trustees, affiliates, predecessors, successors, subsidiaries, parent corporations, heirs, executors, beneficiaries, administrators, assigns, and any and all persons or entities claiming any rights whatsoever from or through said parties.

"**Claims**" means any and all of the following:

(a) rights, entitlements, claims (including claims of any predecessor in interest), complaints;

(b) debts, costs, liabilities, accounts, reckonings, compensation, charges, demands, agreements, contracts, covenants, representations;

(c) warranties, promises, undertakings, breaches of contract, breaches of duty, controversies, suits, judgments, losses, injuries, obligations, liens, expenses (including but not limited to attorneys' fees and costs); and

(d) damages, actions and causes of action, lawsuits and administrative complaints and charges of every kind and nature whatsoever;

whether known or unknown, foreseen or unforeseen, fixed or contingent, matured or unmatured, suspected or unsuspected, liquidated or unliquidated, which Franchisee and her, his or its Representatives may now or hereafter have, individually or collectively, against the Releasees based upon, arising out of, relating to or in connection with, any and all events, relationships, prior dealings, acts or omissions or agreements or any other thing which may have heretofore occurred or failed to have occurred through the date hereof, including but not limited to the Franchise Agreement. The Claims include, without limitation, any rights arising out of alleged violations of any contract or covenant, legal restriction, common law and statute to the extent permitted by law.

Franchisee acknowledges and agrees that except for the consideration provided for herein, she, he or it is not entitled to and will not receive compensation or payments of any kind from the Releasees in connection with this Agreement and General Release or the Franchise Agreement, and that no representations have been made to Franchisee regarding any such compensation or payments.

It is the intention of the parties that this instrument shall be effective as a full and final accord and satisfaction, and release of all Claims. In furtherance of this intention, Franchisee acknowledges that she, he or it has read and understands the significance and consequences of Section 1542 of the Civil Code of the State of California (and any similar statutes and principles of law in California and other jurisdictions) which provides as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

Nevertheless, Franchisee hereby waives and relinquishes every right or benefit which she, he or it has under Section 1542 of the Civil Code of the State of California (and any similar statute and principle of law), and under any similar law of any other applicable jurisdiction and understands the consequences of such waiver and assumes full responsibility for any injuries, damages and losses which she, he or it may incur in connection with this Agreement and General Release. In connection with such waiver and relinquishment, Franchisee acknowledges that she, he or it may hereafter discover facts in addition to or different from those which she, he or it now knows or believes to be true with respect to the Claims released, the subject matter of this Agreement and General Release or the Franchise Agreement, but that she, he or it intends hereby fully, finally and forever, to settle and release all claims, disputes and differences, known or unknown, suspected or unsuspected, foreseen or unforeseen, patent or latent, which now exist, may exist or heretofore existed between her, him or it and her, his or its Representatives, on the one hand, and Releasees, on the other hand. In furtherance of such intention, the release given herein shall be and remain in effect as a full and

complete release, freely and voluntarily given, notwithstanding the discovery or existence of any additional or different facts.

Franchisee acknowledges that she, he or it has been advised to and has had the opportunity to consult with attorneys and other advisors of her, his or its choosing, and to conduct whatever investigation or inquiry she, he or it deems appropriate before signing this Agreement and General Release. Franchisee acknowledges that no representation, promise or inducement not contained in this Agreement and General Release or in the documents referred to in it was made to her, him or it. Franchisee certifies that Franchisee has read and understands the terms of this Agreement and General Release, and that execution of this Agreement and General Release indicates that it conforms to Franchisee's understanding and is acceptable to Franchisee as a final agreement. Franchisee further agrees that she, he or it has not commenced, instituted or prosecuted, and will forever refrain and forebear from commencing, instituting and prosecuting any lawsuit, action or other proceeding against the Releasees based on, arising out of, relating to or in connection with any Claims released hereunder. If any court of law, federal, state or other administrative agency, or any other forum, assumes jurisdiction of any charge, claim, suit or action on behalf of Franchisee or her, his or its Representatives, Franchisee will direct that agency, court or forum to withdraw or dismiss the matter with prejudice.

By executing this Agreement and General Release, Franchisee, for herself, himself or itself and her, his or its successors, represent and warrants that her, his or its representations herein are true and correct and that she, he or it has the right and authority to enter into and to accept the terms and covenants of this Agreement and General Release, and that no third party has or claims an interest in any of the Claims released hereby. Franchisee represents that she, he or it has not sold, assigned, transferred, conveyed, encumbered or otherwise disposed of any Claim, or any interest in any Claim. Franchisee acknowledges that this Agreement and General Release shall be a complete defense to any Claim subject to the terms hereof. This Agreement and General Release shall not be deemed or construed as an admission of any fact, liability or responsibility by the Releasees at any time for any purpose.

Franchisee also acknowledges that she, he or it has been given a reasonable and sufficient period of time within which to consider, sign and return this Agreement and General Release.

This Agreement and General Release shall be governed by and construed in accordance with the laws of the state of Delaware.

Date: _____

Signature

Print Name

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
California	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	March 19, 2022
New York	May 21, 2015, as amended _____
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.

RECEIPT

The Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Anchor Bar Franchise & Development, 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 in connection with the proposed franchise sale.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days 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 agreement or the payment of any consideration, whichever occurs first.

If Anchor Bar Franchise & Development, 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 applicable state agency listed in Exhibit A.

The franchisor is Anchor Bar Franchise & Development, LLC located at 651 Delaware Avenue, Buffalo, New York 14202. Its telephone number is (716) 853-1791.

Issuance date: March 13, 2024.

Following is information about the franchise seller(s) involved in this transaction [check all that apply]:

- ☐ Mark Dempsey, 651 Delaware Avenue, Buffalo, NY 14202, (716) 853-1791
- ☐ Michelle Buchholz, 651 Delaware Avenue, Buffalo, NY 14202, (716) 853-1791
- ☐ Matthew Ott, 651 Delaware Avenue, Buffalo, NY 14202, (716) 853-1791
- ☐ Jason Ryals, 651 Delaware Avenue, Buffalo, NY 14202, (716) 853-1791
- ☐ Joel Neumann, 5 Beacon Park, Unit H, Amherst, NY 14202, (716) 837-0595

Anchor Bar Franchise & Development, LLC authorizes the agents listed in Exhibit B to this Disclosure Document to receive service of process.

I received a Disclosure Document issued March 13, 2024 that included the following Exhibits:

- A. List of State Franchise Administrators
- B. List of Agents for Service of Process
- C. Financial Statements
- D. Franchise Agreement and State Specific Addenda
- E. State-Specific Addenda to Disclosure Document
- F. Information on Franchisees
- G. Operations Manual Table of Contents
- H. SBA Addendum and Certification
- I. Form of General Release

State Effective Dates Page

Date	Franchisee
	Print Name
	individually and as an officer, partner or member
	of
	a (_____ corporation)
	a (_____ partnership)
	a (_____ limited liability company)
	which has been or will be formed to act as franchisee
	Address:
	City State Zip Code
	Area Code Phone Number

RECEIPT

The Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Anchor Bar Franchise & Development, 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 in connection with the proposed franchise sale.

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- F. Information on Franchisees
- G. Operations Manual Table of Contents
- H. SBA Addendum and Certification
- I. Form of General Release

State Effective Dates Page

Date	Franchisee
	Print Name
	individually and as an officer, partner or member
	of
	a (_____ corporation)
	a (_____ partnership)
	a (_____ limited liability company)
	which has been or will be formed to act as franchisee
	Address:
	City State Zip Code
	Area Code Phone Number