

FRANCHISE DISCLOSURE DOCUMENT



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

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

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Jimmy Holt at 3475 Jersey Ridge Road, Ste. 3, Davenport, Iowa 52807, 563-214-1013, franchise@barrelhousepub.com.

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

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

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

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How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This Franchise*

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

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

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

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ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

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

The Franchisor

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

Our Business Experience, Predecessors and Affiliates

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

Our predecessor and affiliate, The Barrel House, L.L.C., an Iowa limited liability company (“TBH”) created the “Barrel House” concept and began operating Barrel House Restaurants in July 2011. TBH was formed in April 2011, and it owns the “Barrel House (and design)®” and “Barrel House™” trademarks, and other trademarks and service marks used in operating the System and licenses them to us for use in the System. TBH directly or through affiliated entities operates 5 Barrel House restaurants. TBH has not and does not currently offer franchises in any line of business. TBH shares its principal place of business with us.

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

Franchise Offered

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

Market and Competition

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

Laws and Regulations

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

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

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

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

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

ITEM 2 BUSINESS EXPERIENCE

Jimmy Holt: President and Chief Executive Officer

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

Jennifer Plate: Director of Operations

Jennifer has served as our Director of Operations since our inception in August 2020. From October 2015 to October 2020, Jennifer served as the General Manager of The Barrel House Three, LLC, the operator of the Barrel House restaurant(s) in Davenport, Iowa.

Christopher Posey: Director of Franchise Sales and Marketing

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

ITEM 3 LITIGATION

State of Iowa v. Jennifer Plate (Iowa District Court, 7th District (Scott County), Case No. FECR335830). In February 2011, Ms. Plate (defendant) was charged with possession and manufacturing with an intent to deliver a controlled substance, violation of state drug stamp tax statute and child endangerment. In September 2011, defendant pled guilty to a felony on the possession and manufacturing counts only and was sentenced to two years probation.

No other litigation is required to be disclosed in this Item.

ITEM 4 BANKRUPTCY

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

ITEM 5 INITIAL FEES

The “Initial Franchise Fee” for a single Restaurant is \$40,000. The Initial Franchise Fee is paid to us when you sign the Franchise Agreement and is not refundable under any circumstances. We currently offer veterans who were honorably discharged a \$5,000 discount off the Initial Franchise Fee for the first Restaurant. During 2021, all Initial Franchise Fees paid to us were \$40,000.

Before you open your Restaurant, you also must pay us or one of our affiliates, as we designate, \$1,500 for a restaurant opening kit (“Opening Kit”). The Opening Kit will include business cards, brochures, ribbon-cutting materials, homeowner pre-mailers, door hangers, folders, envelopes, yard signs and other marketing materials.

Within 30 days before you open your Restaurant and 30 days after you open your Restaurant, you must spend a minimum of \$5,000 on the Restaurant opening campaign that we have approved in advance (“Opening Campaign”). We reserve the right to collect the Opening Campaign amount directly from you and spend it on your behalf in connection with the Restaurant Opening Campaign.

ITEM 6 OTHER FEES

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

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

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

Notes:

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

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

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

ITEM 7 ESTIMATED INITIAL INVESTMENT YOUR ESTIMATED INITIAL INVESTMENT

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

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

Notes:

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

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

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

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

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

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

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

Designated Products and Services

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

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

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

Location of your Restaurant

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

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

You must satisfy our specifications and standards in constructing and developing your Restaurant. We will furnish to you prototypical drawings and specifications for your Restaurant, including requirements for overall dimensions, interior and exterior materials, décor, fixtures, equipment, furniture and signs. You must retain a licensed architect we designate or approve and submit working drawings, construction and architectural plans and specifications to us for our approval before you begin construction of your Restaurant. You must submit all revised plans and specifications to us during the course of construction. You must ensure that the plans and specifications comply with the Americans with Disabilities Act and all other applicable federal, state and local laws, ordinances, building code and permit requirements and lease requirements and restrictions. In developing and operating your Restaurant, you may purchase only the

types of construction and decorating materials, fixtures, equipment, furniture and signs that we require and have approved as meeting our specifications and standards for quality, design, appearance, function and performance. We or an affiliate may be an approved supplier of one or more of these items.

Computer Hardware and Software

We currently require you to purchase the point-of-sale system we designate. Currently, Toast is our designated third-party supplier for the POS system. See Items 7 and 11 for further information. You also must obtain and use in the Restaurant certain designated software applications, which currently includes Untapped (a geo-social networking service and mobile phone application), Marketman (food inventory tool), Expandshare (our training platform tool), and 7Shift (a planning and scheduling tool).

Insurance

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

Advertising and Promotional Approval

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

Gift Card and Loyalty Programs

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

Supplier and Product Approval

We will provide you with lists of approved manufacturers, suppliers and distributors (“Approved Suppliers List”) and approved products and services, other inventory items, fixtures, furniture, equipment, signs, supplies and other items or services necessary to operate your Restaurant (“Approved Supplies List”). The Approved Suppliers List may specify the specific manufacturer of a specific product or piece of equipment and you can purchase those products only from a source identified on the Approved Suppliers List. We, an affiliate or a third-party vendor or supplier periodically may be the only approved supplier for certain products. The lists specify the suppliers and the products and services that we have approved for use in the System. We may revise these lists and provide you with a copy of approved lists as we deem advisable. If you propose to use any products, material, fixture, equipment, sign or other item which we have not approved, or purchase any items from any supplier that we have not approved, you must first notify us in writing and must provide us with sufficient information, specifications, samples photographs, drawings or other information to permit us to determine whether the product, service, material, fixture, equipment, sign or other item (or brand of such item) complies with our specifications, or the supplier meets

our approved supplier criteria. We will notify you of our decision within 30 days following our receipt of all information requested. You must pay the reasonable cost of the inspection and evaluation, which currently is \$500 per request, plus the costs and expenses we incur. We may re-inspect the facilities and products of any supplier or approved item and revoke our approval of any item or supplier which fails to continue to meet any of our criteria. We will send written notice of any revocation of an approved supplier or supply. As part of the approval process, we may require that a proposed supplier sign a supplier agreement covering such items as insurance, product quality, trademark use, and indemnification. We do not provide material benefits to you based on your use of designated or approved sources of supply.

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

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

For the fiscal year ending December 31, 2021, we did not receive any revenue as a result of franchisee purchases (0% of our total revenue of \$667).

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

Miscellaneous

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

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

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

ITEM 9 FRANCHISEE’S OBLIGATIONS

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

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

ITEM 10 FINANCING

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

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

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

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

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

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

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

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

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

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

Because we just began franchising in April 2021, during our fiscal year ended December 31, 2021, we did not collect any Marketing Fees.

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

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

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

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

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

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

You must pay us a Technology Fee to offset our costs related to the Computer System. As of the issuance date of this disclosure document, the Technology Fee is \$200 per month. We may increase the Technology Fee on an annual basis.

As of the issuance date of this disclosure document, the required Computer System includes (at a minimum): two terminals, two displays, two tablets, one router, Ethernet components, the Toast point-of-sale software (including four handheld devices and KDS screens and one tower), invoice processing and food cost intelligence software and subscriptions to enterprise data management, the online ordering

platform, and gift card and loyalty programs. We also require you to obtain ExpandShare, our designated training platform tool, and 7Shift, our designated planning and scheduling software. We currently require you to purchase your point of sale (POS) system from Toast. We estimate that the initial cost for the Computer System will range from \$5,000 to \$10,000. Financing for the Computer System may be available from our designated suppliers. Any software fees not covered by the Technology Fee are currently paid directly to the relevant approved third-party supplier. The current monthly license fees you must pay are: \$900 to \$2,000 for the Toast POS system and payroll software (depending on the number of handheld devices, screens and towers), \$200 for the delivery application, \$38 for the 7shift scheduling tool software and \$149 for the Marketman restaurant management software.

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

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

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

You must submit to us a complete site report (containing information that we may reasonably require) for the proposed Restaurant site. The general site and evaluation criteria which you should consider include demographic characteristics of the proposed location, traffic patterns, parking, the predominant character of the neighborhood, the proximity to other businesses (including other Barrel House restaurants), and other commercial characteristics, and the proposed location, size of premises, appearance and other physical characteristics. We will notify you in writing within 30 days after we receive your complete site report and other materials we request whether the proposed site satisfies our site selection criteria. Our review of a site for the Restaurant does not represent any recommendation or guaranty as to the success of the proposed site.

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

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

The initial training program consists of the following:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
History of Barrel House	1	0	Davenport, IA
Use of the Manual	1	0	Davenport, IA
Tour of Barrel House	1	0	Davenport, IA
Pre-Opening Procedures	1	0	Davenport, IA
Personnel Issues	1	2	Davenport, IA
Advertising	1	4	Davenport, IA
Management Procedures	1	16	Davenport, IA
Franchise Reporting Requirements	1	2	Davenport, IA
Accounting/Record keeping	1	4	Davenport, IA
Customer Service Procedures	1	16	Davenport, IA
Front/Back of House – Manager Duties	1	16	Davenport, IA
Back of House – Prep/Cook Procedures	1	16	Davenport, IA
Bar Area		16	Davenport, IA
Inventory Management	1	4	Davenport, IA
POS System	1	16	Davenport, IA
Cleaning Procedures	1	4	Davenport, IA
Safety Procedures	1	4	Davenport, IA
Totals	16	120	

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

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

Jennifer Plate will oversee the initial training program. Jennifer has more than 12 years of management experience in the restaurant industry, including more than 5 years in managing Barrel House restaurants.

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

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

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

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

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

ITEM 12 TERRITORY

If your Restaurant is located in a "Market Area" (as defined below) with a population of less than 400,000, you will receive a "Protected Territory" equal to a 3-mile radius surrounding the Restaurant location. If your Restaurant is located in a Market Area with a population of 400,000 or more, you will receive a "Protected Territory" equal to a 1-mile radius surrounding the Restaurant location. During the term of the Franchise Agreement, if you are complying with the provisions of the Franchise Agreement, we will not establish any other franchised or company-owned Barrel House restaurants in the Protected Territory. "Market Area" means the geographical area within a metropolitan area we identify with a population as determined by the most recent U.S. census.

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

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

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

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

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

1. to directly operate, or to grant other persons the right to operate, Barrel House restaurants at locations outside the Protected Territory;
2. to directly operate, or to grant other persons the right to operate, Barrel House restaurants at Captive Market Locations within and outside the Protected Territory;
3. to promote, sell and distribute anywhere the Products and the services authorized for sale at Barrel House restaurants under trademarks and service marks other than the Marks through similar or dissimilar channels of distribution;
4. to promote, sell, distribute and license the Products and the services authorized for sale at Barrel House restaurants as well as ancillary products and services such as food products, beverages, clothing, glassware and memorabilia under the Marks through dissimilar channels of distribution (*i.e.*, other than the operation of full-service Barrel House restaurants), including direct mail, wholesale activities, and by electronic means such as the Internet, and pursuant to conditions we deem appropriate within and outside the Protected Territory;

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

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

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

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

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

ITEM 13 TRADEMARKS

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

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

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

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

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

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

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

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

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

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

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

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

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

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

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

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

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

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell in your Restaurant all, and only, those products and services that we have approved (see Item 8). You must at all times maintain an inventory of approved products and other items in such quantities and variety that we direct. We may add new Products or services that you must offer at

or use in your Restaurant. Our right to modify the approved list of Products and services to be offered at the Restaurant is not limited.

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

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

Provision	Section in Franchise Agreement or Other Agreement	Summary
a. Length of the franchise term	Section 3	10 years.
b. Renewal or extension of the term	Section 3	If you are in good standing, you can renew the Franchise Agreement for 2 additional 5-year terms.
c. Requirements for you to renew or extend	Section 3	Provide advance notice, comply with current Franchise Agreement, satisfactorily complete any new/refresher training programs, sign new agreement (which may contain materially different terms and conditions than your original Franchise Agreement), remodel, provide proof you will maintain possession of the Restaurant premises and remodel the Restaurant as necessary to comply with our then-current standards and specifications, pay renewal fee, and sign a general release of claims.
d. Termination by you	Section 15(A)	If you comply with the Franchise Agreement, and we fail to cure a material provision within 60 days after written notice.
e. Termination by us without cause	Not Applicable	Not Applicable
f. Termination by us with cause	Sections 15(B) and (C)	We may terminate the Franchise Agreement only if you default.
g. "Cause" defined – curable defaults	Sections 15(B) and (C)	You have 30 days to cure the following defaults: failure to open Restaurant when required, failure to complete training, failure to comply with System standards, failure to conform to System, the result of an audit discloses an understatement of Gross Sales of 2% or more, and a violation of any material provision of the Agreement. You have 10 days to cure a failure to pay amounts due us or any creditors and to cure the revocation or suspension of your liquor license. You have 72 hours to cure a health code violation.
h. "Cause" defined – non-curable defaults	Sections 15(B) and (C)	Failure on 3 or more occasions in any 12 months to comply with any provision, any default which is not curable, you repeatedly deceive Restaurant customers, a material misrepresentation on franchise application, any of your managers (including the Operating Principal), directors, officers or any Principal Owner is convicted of, or pleads guilty to or no contest to a felony, a crime involving moral turpitude, or any other crime or offense that we believe will injure the System, the Marks or the goodwill associated therewith, or if we have proof that such person has committed such a felony, crime or offense, insolvency, an assignment of assets to creditors, Restaurant abandonment, defaults which injure the goodwill associated with the Marks, unauthorized assignment of agreement or interest, operation of the Restaurant results in a threat to public health or safety, your lease expires or is terminated, you falsify applications or reports.
i. Your obligations on termination/nonrenewal	Section 17 and 13(B)	Cease operation of the Restaurant and use of Marks, pay all amounts due us, stop using and return manuals and other materials, assign to us the Restaurant telephone number and telephone listing or (at our option) disconnect the telephone number, remove all signs and other materials containing any Marks, comply with obligations under any proprietary software license/access agreements, cancel all fictitious or assumed name filings, cease using Confidential Information, sell back to us or return all Products, and comply with all restrictive covenants (see also Item 17(o) and (r) below).

Provision	Section in Franchise Agreement or Other Agreement	Summary
j. Assignment of contract by us	Section 14(A)	Assignee must fulfill our obligations under the agreement.
k. “Transfer” by you-defined	Section 14(B) and (C)	Includes transfer of franchise agreement to entity and transfer of Restaurant or its assets, or your interest in agreement or any significant (“controlling interest”) ownership change.
l. Our approval of transfer by franchisee	Sections 14(B) and (C)	We have the right to approve all transfers of the Franchise Agreement, but will not unreasonably withhold approval.
m. Conditions for our approval of transfer	Section 14(C)	New franchisee qualifies and completes training, all amounts owed us or our affiliates are paid, and you are in good standing, new franchisee assumes existing Agreement or (at our option) signs then-current franchise agreement, we approve transfer agreement, transfer fee paid, lease assigned (if applicable), you sign non-compete agreement and general release.
n. Our right of first refusal to acquire your business	Section 14(F)	We can match any offer for your business.
o. Our option to purchase your business	Section 16(C)	When the Franchise Agreement expires or terminates, we may purchase assets at fair market value, less the value of any goodwill associated with our trademarks and other intangible assets.
p. Your death or disability	Section 14(D)	If the Principal Operator dies or is permanently disabled, his/her executor, administrator, or other personal representative must transfer his/her interest within a reasonable time, not to exceed twelve 12 months from the date of death or permanent disability, to a person we approve.
q. Non-competition covenants during the term of the franchise	Section 13(C) and (E)	No involvement in a Competing Business. A “Competing Business” means any business similar to the Barrel House restaurant, including an upscale tavern and/or upscale sports bar that distributes, sells or otherwise deals in, at wholesale or retail, upscale tavern food or other items similar to the Products, or any other business that may be confusingly similar to a Barrel House Restaurant.
r. Non-competition covenants after the franchise is terminated or expires	Section 13(D)	No involvement in a Competing Business that is located within a 10 mile radius of the former site of the Restaurant or any other then-existing Barrel House restaurant.
s. Modification of the agreement	Sections 7(E) and 19(D)	No modifications generally, except in writing. We may modify Operations Manual, Marks, System and Products/services to be offered from your Restaurant.
t. Integration/merger clause	Section 19(K)	Only the terms of the Franchise Agreement (including exhibits) are binding (subject to federal and state law). Any other promises may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 18	Except for actions we bring for monies owed, injunctive or extraordinary relief, or actions involving real estate, all disputes first will be subject to non-binding mediation in Davenport, Iowa, then (if not resolved) to binding arbitration in in Davenport, Iowa (subject to applicable law).
v. Choice of forum	Section 18(F)	Litigation must be in state or federal court in Davenport, Iowa (subject to state law). We also have the right to file suit where the Restaurant is located (subject to applicable law).
w. Choice of law	Section 18(D)	Iowa law applies (subject to state law).

ITEM 18 PUBLIC FIGURES

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

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC’s Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance

information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

The following table presents data we obtained from our affiliates, The Barrel House Three, LLC, The Barrel House Dubuque, LLC and The Barrel House, LLC (collectively, the “Affiliates”) respecting the historic Gross Sales and other information for three Affiliate-owned Restaurants that were in operation for the entire twelve-month period beginning July 1, 2021 and ending June 30, 2022.

As of June 30, 2022, our affiliates owned five affiliate/company-owned Restaurants, although only three Restaurants are included in the table below. We excluded the remaining two Restaurants from the table below because they were not open during the entire twelve-month period ending June 30, 2022. The table below presents the quarterly Gross Sales of each of the three remaining Restaurants.

Unaudited Quarterly Statements of Company Unit Gross Sales for the Period from July 1, 2021 through June 30, 2022

	July 1, 2021 – Sept. 30, 2021	Oct. 1, 2021 – Dec. 31, 2021	Jan. 1 2022 – Mar. 31, 2022	April 1, 2022– June 30, 2022	Total (July 1, 2021- June 30, 2022)
Downtown Davenport	\$199,015	\$167,844	\$93,687	\$46,126	\$506,671
Uptown Davenport	\$521,977	\$463,163	\$466,534	\$532,789	\$1,984,463
Dubuque	\$640,987	\$639,106	\$653,027	\$660,147	\$2,593,267

Notes:

1. The Downtown Davenport Restaurant opened in 2011, the Uptown Davenport Restaurant opened in 2015 and the Dubuque Restaurant opened in 2016.

2. The Downtown Davenport Restaurant has 2528 total square feet with kitchen space of 350 square feet, the Uptown Davenport Restaurant has 3432 total square feet with kitchen space of 500 square feet and the Dubuque Restaurant has 6056 total square feet with kitchen space of 900 square feet. The average size of a franchised Restaurant, including kitchen area, will likely range from 3,500 square feet to 5,000 square feet. The size of the Restaurant can impact the Gross Sales of the Restaurant.

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

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

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

of total Gross Sales at the Dubuque Restaurant while beverage sales at a typical Restaurant will represent approximately 25% of total Gross Sales.

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

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

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

**TABLE NUMBER 1
Systemwide Restaurant Summary
For Years 2019 to 2021**

Restaurant Type	Year	Restaurants at the Start of the Year	Restaurants at the End of the Year	Net Change
Franchised	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
Company-Owned*	2019	5	5	0
	2020	5	3	-2
	2021	3	4	1
Total Restaurants*	2019	5	5	0
	2020	5	3	-2
	2021	3	4	1

* - For purposes of Item 20, Barrel House restaurants owned by our affiliates, members or officers are considered company-owned Restaurants. In addition, one affiliate-owned location was temporarily closed due to COVID restrictions but has reopened or is expected to reopen once COVID restrictions are lifted.

**TABLE NUMBER 2
Transfers of Restaurants from Franchisee to New Owners (Other than the Franchisor)
For Years 2019 to 2021**

State	Year	Number of Transfers
TOTAL	2019	0
	2020	0
	2021	0

TABLE NUMBER 3
Status of Franchised Restaurants
For Years 2019 to 2021

State	Year	Restaurants at the Start of the Year	Restaurants Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Restaurants at the End of the Year
TOTAL	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0

TABLE NUMBER 4
Status of Company-Owned Restaurants
For Years 2019 to 2021

State	Year	Restaurants at the Start of the Year	Restaurants Opened	Restaurants Reacquired From Franchisees	Restaurants Closed	Restaurants Sold to Franchisees	Restaurants at the End of the Year
Iowa	2019	5	0	0	0	0	5
	2020	5	0	0	2	0	3
	2021	3	1	0	0	0	4
TOTAL	2019	5	0	0	0	0	5
	2020	5	0	0	2	0	3
	2021	3	1	0	0	0	4

TABLE NUMBER 5
Projected Openings
As of December 31, 2021

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

Attached as Exhibit F is a list of all Barrel House franchisees as of December 31, 2021. We have not had a franchisee who has had a Barrel House franchise terminated, canceled, or not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement nor transferred a Barrel House franchise. In addition, no franchisee has failed to communicate with us within the 10-week period before the issuance date of the disclosure document. If you buy a Barrel House franchise, your contact information may be disclosed to other buyers when you leave the franchise system. We have no trademark specific franchisee association.

ITEM 21 FINANCIAL STATEMENTS

Our audited financial statements for the periods from inception (August 27, 2020) to December 31, 2020 and from January 1, 2021 to December 31, 2021 are attached as Exhibit A. Also attached as Exhibit A is our unaudited balance sheet and income statement as of November 30, 2022. We have not been in business for three years or more and cannot provide the otherwise required three years of financial statements.

ITEM 22
CONTRACTS

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

ITEM 23
RECEIPTS

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

EXHIBIT A
FINANCIAL STATEMENTS

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

Financial Statements
For the Year Ended December 31, 2021 and
for the Period From August 27, 2020 (Date of Inception)
Through December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Member
Barrel House Enterprises, LLC
Davenport, Iowa

OPINION

We have audited the accompanying financial statements of Barrel House Enterprises, LLC (an Iowa limited liability company) (the Company), which comprise the balance sheets as of December 31, 2021 and 2020 and the related statements of income and member's deficit and cash flows for the year ended December 31, 2021 and the period from August 27, 2020 (date of inception) through December 31, 2020, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the year ended December 31, 2021 and the period from August 27, 2020 (date of inception) through December 31, 2020 in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

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

(continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

EMPHASIS OF MATTER – GOING CONCERN

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

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

Minneapolis, Minnesota
August 8, 2022

FINANCIAL STATEMENTS

BARREL HOUSE ENTERPRISES, LLC

Balance Sheets

	December 31,	
	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 71,381	\$ —
Due from related party	2,645	—
Due from member	—	5,000
Contract assets – current	434	—
Prepaid assets	10,885	7,000
Total current assets	85,345	12,000
Other assets		
Contract assets – long-term	3,834	—
Total assets	\$ 89,179	\$ 12,000
Liabilities and Member's Deficit		
Current liabilities		
Accounts payable	\$ 12,928	\$ —
Contract liabilities – current	4,000	—
Due to related parties	343,233	152,926
Total current liabilities	360,161	152,926
Long-term liabilities		
Contract liabilities – long-term	35,333	—
Member's deficit	(306,315)	(140,926)
Total liabilities and member's deficit	\$ 89,179	\$ 12,000

BARREL HOUSE ENTERPRISES, LLC

Statements of Income and Member's Deficit

	Year Ended December 31, 2021	Period From August 27, 2020 (Date of Inception) Through December 31, 2020
Revenue		
Franchise revenue	\$ 667	\$ —
Operating expenses		
Office supplies	3,109	—
Professional fees	47,816	144,532
Travel expense	12,278	1,394
Commission expense	72	—
Facilities expense	8,755	—
Salaries, payroll taxes, and benefits	113,979	—
Advertising and marketing expense	73,603	—
Software expense	1,444	—
Total operating expenses	<u>261,056</u>	<u>145,926</u>
Net loss	(260,389)	(145,926)
Member's deficit		
Beginning of year/period	(140,926)	—
Member contributions	<u>95,000</u>	<u>5,000</u>
End of year/period	<u>\$ (306,315)</u>	<u>\$ (140,926)</u>

BARREL HOUSE ENTERPRISES, LLC

Statements of Cash Flows

	Year Ended December 31, 2021	Period From August 27, 2020 (Date of Inception) Through December 31, 2020
Cash flows from operating activities		
Net loss	\$ (260,389)	\$ (145,926)
Adjustments to reconcile net loss to net cash used by operating activities		
Franchise fee amortization	(667)	—
Commission expense amortization	72	—
(Increase) decrease in current assets		
Due from related party	(2,645)	—
Contract assets	(4,340)	—
Prepaid expenses	(3,885)	(7,000)
Increase (decrease) in current liabilities		
Accounts payable	12,928	—
Contract liabilities	40,000	—
Due to related party	190,307	152,926
Net cash used by operating activities	<u>(28,619)</u>	<u>—</u>
Cash flows from financing activities		
Member contributions	<u>100,000</u>	<u>—</u>
Net increase in cash and cash equivalents	71,381	—
Cash and cash equivalents		
Beginning of year/period	<u>—</u>	<u>—</u>
End of year/period	<u>\$ 71,381</u>	<u>\$ —</u>
Supplemental disclosures of noncash financing activities		
Due from member – member contributions	<u>\$ —</u>	<u>\$ 5,000</u>

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements
December 31, 2021 and 2020

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

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

An individual is the sole member of the Company.

SIGNIFICANT ACCOUNTING POLICIES

A. Revenue Recognition

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

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

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

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

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements (continued)
December 31, 2021 and 2020

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Revenue Recognition (continued)

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

B. Statements of Cash Flows

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

C. Contract Assets and Liabilities

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

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

D. Income Taxes

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

The Company follows the recognition requirements for uncertain income tax positions as required by FASB 740-10. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Company has analyzed tax positions taken for filing with the Internal Revenue Service and the state jurisdiction where it operates. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Company's financial condition, results of operations, or cash flows. Accordingly, the Company has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at December 31, 2021.

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

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements (continued)
December 31, 2021 and 2020

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Franchise Fee Revenue

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

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

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

	Number of Franchised Outlets	
	Year Ended December 31, 2021	August 27, 2020 (Date of Inception) Through December 31, 2020
Total franchised outlets at beginning of year/period	–	–
Franchised outlets sold during year/period	1	–
Franchised outlets closed during year/period	–	–
Total franchised outlets at end of year/period	<u>1</u>	<u>–</u>
Franchised outlets unopened at end of year/period	<u>1</u>	<u>–</u>
Franchised outlets in operation at end of year/period	<u>–</u>	<u>–</u>
Related party franchised outlets in operation at end of year/period	<u>–</u>	<u>–</u>

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements (continued)
December 31, 2021 and 2020

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

G. Advertising

The Company follows the practice of expensing advertising costs, as they are incurred. For year ended December 31, 2021 and the period from August 27, 2020 (date of inception) through December 31, 2020, advertising expenses totaled \$73,603 and \$0, respectively.

H. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. Subsequent Events

Subsequent events have been evaluated by management through August 8, 2022, which is the date the financial statements were available to be issued.

J. Recently Issued Accounting Pronouncement

Lease Accounting

The FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and financing leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements (continued)
December 31, 2021 and 2020

NOTE 2 – CONTRACT ASSETS AND LIABILITIES

The Company had contract assets consisting of the following:

	December 31,	
	2021	2020
Contract assets		
Commission fees	\$ 4,268	\$ –
Less current portion	434	–
Net long-term contract assets	<u>\$ 3,834</u>	<u>\$ –</u>

The following table reflects the change in contract assets for the year ended December 31, 2021 and the period from August 27, 2020 (date of inception) through December 31, 2020:

	Year Ended December 31, 2021	August 27, 2020 (Date of Inception) Through December 31, 2020
Balance at beginning of year/period	\$ –	\$ –
Commissions paid	4,340	–
Expense recognized	(72)	–
Balance at end of year	<u>\$ 4,268</u>	<u>\$ –</u>

The Company had contract liabilities consisting of the following:

	December 31,	
	2021	2020
Contract liabilities		
Deferred franchise fee revenue	\$ 39,333	\$ –
Less current portion	4,000	–
Total	<u>\$ 35,333</u>	<u>\$ –</u>

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements (continued)
December 31, 2021 and 2020

NOTE 2 – CONTRACT ASSETS AND LIABILITIES (CONTINUED)

The following table reflects the change in contract liabilities for the year ended December 31, 2021 and the period from August 27, 2020 (date of inception) through December 31, 2020:

	Year Ended December 31, 2021	August 27, 2020 (Date of Inception) Through December 31, 2020
Balance at beginning of year/period	\$ –	\$ –
Franchise fees received	40,000	–
Revenue recognized	(667)	–
Balance at end of year	<u>\$ 39,333</u>	<u>\$ –</u>

The following table reflects the estimated commission expense and franchise fee revenues expected to be recognized in the future, related to the Company's capitalized commission expense and deferred franchise fees that are unsatisfied (or partially unsatisfied) as of December 31, 2021:

Year Ending December 31,	Commission Expense Amortization	Franchise Fee Revenue Amortization
2022	\$ 434	\$ 4,000
2023	434	4,000
2024	434	4,000
2025	434	4,000
2026	434	4,000
Thereafter	<u>2,098</u>	<u>19,333</u>
	<u>\$ 4,268</u>	<u>\$ 39,333</u>

NOTE 3 – RELATED PARTY TRANSACTIONS

A. Allocated Expenses From Affiliates

The sole member and certain employees of Barrel House, LLC (Barrel House), an affiliate related through common ownership, provide management services to the Company. For year ended December 31, 2021 and the period from August 27, 2020 (date of inception) through December 31, 2020 salaries, payroll taxes, and benefits allocated totaled \$113,979 and \$0, respectively.

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements (continued)
December 31, 2021 and 2020

NOTE 3 – RELATED PARTY TRANSACTIONS (CONTINUED)

B. Operating Lease

The Company currently leases office space from All Around Town Enterprises, LLC, a company related through common ownership. On January 1, 2021, the Company entered into a month-to-month lease agreement with a required payment of \$500 per month. For year ended December 31, 2021 and the period from August 27, 2020 (date of inception) through December 31, 2020 rent expense totaled \$6,000 and \$0, respectively, and is included within facilities expense on the Statements of Income and Member's Deficit.

C. Shared Licensing Agreement

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

D. Due From Related Party

As of December 31, 2021 and 2020, the amount due from Barrel House Holdings, LLC totaled \$2,645 and \$0, respectively.

E. Due From Member

As of December 31, 2021 and 2020, the amount due from its sole member totaled \$0 and \$5,000, respectively.

F. Due To Related Parties

As of December 31, 2021 and 2020, expenses incurred by affiliates on the Company's behalf, for which they have yet to be reimbursed are reflected in the following table:

	December 31,	
	2021	2020
BH Dubuque, LLC	\$ 44,010	\$ 5,500
BH Silvis, LLC	—	7,833
BH Three, LLC	97,892	15,382
BH Davenport, LLC	18,887	3,487
Four C, LLC	182,444	120,724
Total	<u>\$ 343,233</u>	<u>\$ 152,926</u>

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements (continued)
December 31, 2021 and 2020

NOTE 4 – SYSTEM MARKETING FUND (SMF)

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

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

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

NOTE 5 – COMMITMENTS

The Company has placed deposits totaling \$7,000 for the commitment to lease seven point-of-sale (POS) systems for the implementation in future franchise sales. The lease agreements require minimum monthly rent payments of \$544, plus additional amounts for hardware and processing costs. The leases are for a period of two years beginning on the date on which the restaurant opens. The Company has a total commitment related to these leases of \$91,350.

NOTE 6 – GOING CONCERN

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

As shown in the accompanying financial statements, the Company has a cumulative member's deficit of \$306,315 as of December 31, 2021. For year ended December 31, 2021 and the periods from August 27, 2020 (date of inception) through December 31, 2020 the Company has generated revenue of \$667 and \$0, respectively. Future revenue generation is dependent upon the Company's ability to sell licenses and franchises to operate dine-in and carry-out restaurants. While management has taken aggressive measures to market the Company, there is no assurance that adequate license and franchise agreements will be secured in the near term to sustain operations. In the event that adequate license and franchise agreements cannot be secured or renewed in the near term, the sole member will use available financial resources to support operations and fund obligations.

BARREL HOUSE ENTERPRISES, LLC

Notes to Financial Statements (continued)
December 31, 2021 and 2020

NOTE 7 – RISKS AND UNCERTAINTIES

The novel coronavirus (COVID-19) has caused significant volatility in economic conditions, especially within the restaurant industry. The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on its franchisees, customers, employees, and vendors, all of which are uncertain and cannot be predicted. As of the date of this report, the extent to which COVID-19 may impact the Company's financial condition is uncertain.

**UNAUDITED FINANCIAL STATEMENTS
AS OF NOVEMBER 30, 2022**

THE FOLLOWING FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

Barrel House Enterprises, LLC

Balance Sheet

As of November 30, 2022

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
IHMVCU Checking	20,946.84
IHMVCU Savings	5.00
Total Bank Accounts	\$20,951.84
Accounts Receivable	
11000 Accounts Receivable	1,946.11
Total Accounts Receivable	\$1,946.11
Other Current Assets	
Contract Assets-Current	434.08
Employee Advance	597.96
Inventory Asset	5,419.00
POS Deposits	2,000.00
Prepaid Expenses	0.00
Undeposited Funds	0.00
Total Other Current Assets	\$8,451.04
Total Current Assets	\$31,348.99
Other Assets	
Contract Assets-Long Term	3,834.35
Due from BH Coralville	28.24
Due from BH Downtown Cedar Rapids	3,797.09
Due from BH DSM	2,405.05
Due from BH Holdings	6,256.00
Due from BH Marion	8,222.09
Due to AATOS	-390.55
Total Other Assets	\$24,152.27
TOTAL ASSETS	\$55,501.26
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
20000 Accounts Payable	23,517.87
Total Accounts Payable	\$23,517.87
Other Current Liabilities	
25500 Sales Tax Payable	3,811.49
401(k) Payable	0.00
Accrued Payroll Taxes	-52.31
Contract Liabilities-Current	4,000.00
IL Dept. of Revenue Payable	13,303.10
Sales Tax Payable	-12,854.00
Total IL Dept. of Revenue Payable	449.10

Barrel House Enterprises, LLC

Balance Sheet

As of November 30, 2022

	TOTAL
Total Other Current Liabilities	\$8,208.28
Total Current Liabilities	\$31,726.15
Long-Term Liabilities	
Contract Liabilities-Long Term	35,333.33
Due to BH Davenport	10,664.87
Due to BH Dubuque	46,455.33
Due to BH Silvis	0.00
Due to BH Utica	158,420.36
Due to Four C Enterprises	257,482.50
Total Long-Term Liabilities	\$508,356.39
Total Liabilities	\$540,082.54
Equity	
30700 Members Draw	-5,000.00
32000 Members Equity	-401,315.41
Capital Contributed	100,000.00
Net Income	-178,265.87
Total Equity	\$ -484,581.28
TOTAL LIABILITIES AND EQUITY	\$55,501.26

Barrel House Enterprises, LLC

Profit and Loss

January - November, 2022

	TOTAL
Income	
Marketing Fee Income	4,831.07
Product Income	275,122.76
Royalty Fee Income	19,324.29
Sales	166.92
Service Income	15,972.29
Uncategorized Income	91.00
Total Income	\$315,508.33
Cost of Goods Sold	
COGS - Services	1,203.75
COGS - Supplies & Materials	248,780.46
Total Cost of Goods Sold	\$249,984.21
GROSS PROFIT	\$65,524.12
Expenses	
401(k) Match	2,746.08
66000 Payroll Expenses	6,880.58
Advertising	35,748.82
CAM/HOA	115.00
Dues & Subscriptions	5,023.68
Franchise Fees	1,523.02
Franchise Software	6,844.40
Insurance	402.36
Meals / Entertainment	2,430.11
Office Supplies	1,988.32
Professional Fees	36,594.23
Property Taxes	1,749.00
Rent	5,500.00
Repairs and Maintenance	152.23
Training	475.10
Travel	6,033.17
Utilities	2,958.55
Wages	126,610.49
Total Expenses	\$243,775.14
NET OPERATING INCOME	\$ -178,251.02
Other Expenses	
Interest Expense	14.85
Total Other Expenses	\$14.85
NET OTHER INCOME	\$ -14.85
NET INCOME	\$ -178,265.87

EXHIBIT B
FRANCHISE AGREEMENT

EXHIBIT C

LIST OF STATE ADMINISTRATORS; AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
Virginia (State Administrator)	State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9 th Floor Richmond, VA 23219 804-371-9051
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630

EXHIBIT D
STATE ADDENDA

VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures:

Any provision in any of the contracts that you sign with us which provides for termination of the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. 101 et. seq.).

“According to Section 13.1 – 564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.”

Exhibit H, Additional Disclosure:

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

VIRGINIA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

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

“According 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.

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

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

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

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:
BARREL HOUSE ENTERPRISES, LLC

FRANCHISEE:

By: _____
Its: _____
Date: _____

By: _____
Its: _____
Date: _____

EXHIBIT E
GENERAL RELEASE FORM

FORM RELEASE OF CLAIMS

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

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

RECITALS

A. We and you entered into a Barrel House Franchise Agreement dated _____, 20____ (the “Franchise Agreement”).

B. [NOTE: Describe the circumstances relating to the release.]

AGREEMENTS

1. **Consideration.** [NOTE: Describe the consideration paid.]

2-3. [NOTE: Detail other terms and conditions of the release.]

4. **Release of Claims.**

A. Definitions.

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

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

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

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

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

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

YOU:

WE:

BARREL HOUSE ENTERPRISES LLC

BY: _____

BY: _____

ITS: _____

ITS: _____

DATE: _____

DATE: _____

PERSONAL GUARANTORS:

EXHIBIT F
LIST OF FRANCHISEES

EXHIBIT F

LIST OF CURRENT FRANCHISEES
as of June 30, 2022

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

LIST OF FORMER FRANCHISEES
as of June 30, 2022

None.

EXHIBIT G

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EXHIBIT H
DISCLOSURE ACKNOWLEDGMENT AGREEMENT

**DISCLOSURE
ACKNOWLEDGMENT AGREEMENT**

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

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

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

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

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

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

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

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

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

Applicants' Acknowledgment:

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

EXHIBIT I
STATE EFFECTIVE DATES AND RECEIPT PAGES

State Effective Dates

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

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

State	Effective Date
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

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

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

If Barrel House does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed on **Exhibit C**.

Issuance Date: August 11, 2022

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

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

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

I have received a disclosure document with an issuance date of August 11, 2022, that included the following Exhibits:

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

Date: _____
(Do not leave blank)

(Print Name of Prospective Franchisee (For Entity))

By: _____
Its: _____

Signature _____

(Print Name of Prospective Franchisee (For Individuals))

Signature _____

Copy for Franchisee

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

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

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Date: _____
(Do not leave blank)

(Print Name of Prospective Franchisee (For Entity))

By: _____
Its: _____

Signature _____

(Print Name of Prospective Franchisee (For Individuals))

Signature _____

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

Copy for Barrel House Enterprises LLC