

## FRANCHISE DISCLOSURE DOCUMENT



### **Hickory River Smokehouse, Inc.**

an Illinois Corporation

117 Lisa Marie Place

Shalimar, FL 32579

(937) 765-2404

[www.hickoryriver.com](http://www.hickoryriver.com)

Hickory River Smokehouse® restaurants have a family-oriented theme and feature Texas-style barbecue food products and other products (for on-premises dining and carry-out) and beverages including beer and wine. We offer franchises for the right to operate a single Hickory River Smokehouse restaurant.

The total initial investment necessary to begin operations of a Hickory River Smokehouse restaurant franchise in an existing restaurant space ranges from \$315,000 to \$674,500. This amount includes an Initial Franchise Fee of \$30,000, which must be paid to us. The total initial investment necessary to begin operations of a Hickory River Smokehouse restaurant franchise in an empty space not previously used as a restaurant ranges from \$804,000 to \$1,084,500. This amount includes an Initial Franchise Fee of \$30,000, which must be paid to us.

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, franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government 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 Brad Bowman at [brad@hickoryriver.com](mailto:brad@hickoryriver.com) or at the address and/or phone number listed above.

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

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

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

**Issuance Date: April 24, 2024**

## How to Use This Franchise Disclosure Document

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

| QUESTION                                                                                 | WHERE TO FIND INFORMATION                                                                                                                                                                                                                                 |
|------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>How much can I earn?</b>                                                              | 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 D. |
| <b>How much will I need to invest?</b>                                                   | 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.                                                                  |
| <b>Does the franchisor have the financial ability to provide support to my business?</b> | Item 21 or Exhibit B includes financial statements. Review these statements carefully.                                                                                                                                                                    |
| <b>Is the franchise system stable, growing, or shrinking?</b>                            | Item 20 summarizes the recent history of the number of company-owned and franchised outlets.                                                                                                                                                              |
| <b>Will my business be the only Hickory River Smokehouse business in my area?</b>        | Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.                                                                                                             |
| <b>Does the franchisor have a troubled legal history?</b>                                | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.                                                                                                                      |
| <b>What's it like to be a Hickory River Smokehouse franchisee?</b>                       | Item 20 or Exhibit D lists current and former franchisees. You can contact them to ask about their experiences.                                                                                                                                           |
| <b>What else should I know?</b>                                                          | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.                                                   |

## **What You Need To Know About Franchising *Generally***

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

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

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

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

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

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

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

### **Some States Require Registration**

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

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Florida. 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 Florida than in your own state.
2. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.

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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### STATE- SPECIFIC ADDENDUM – ILLINOIS

#### EXHIBITS

- A. LIST OF STATE AGENCIES AND AGENTS FOR SERVICE OF PROCESS
- B. FINANCIAL STATEMENTS
- C. FRANCHISE AGREEMENT (INCLUDING APPENDICES AND STATE-SPECIFIC  
ADDENDUM FOR ILLINOIS)
- D. LIST OF FRANCHISEES
- E. STATE EFFECTIVE DATES
- F. RECEIPTS

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

To simplify the language in this disclosure document, “we” or “us” means Hickory River Smokehouse, Inc., the Franchisor. “You” means the person or entity that buys the franchise. If the franchisee is a corporation, partnership or other entity, “you” also may mean its owners.

**The Franchisor and Affiliate**

We are an Illinois corporation incorporated on February 26, 2003. Our principal place of business is 117 Lisa Marie Place, Shalimar, Florida 32579; (937) 765-2404. We do business under our corporate name and the name “Hickory River Smokehouse.” We began offering franchises in March 2003 under the name “Hickory River Smokehouse.” We have never offered franchises in any other line of business. In addition to administering the Hickory River franchise system, we have operated one Hickory River restaurant (similar to the franchise being offered) in Ft. Walton Florida since May 2014. We have operated other Hickory River Smokehouse restaurants in the past.

In addition to Hickory River Smokehouse franchises, we have been granted the right by our former affiliate Longhorn Smokehouse, Inc. (“Longhorn”) to develop a franchise system using certain trademarks, trade names and trade secrets for the operation of Texas-style barbecue restaurants under the name “Longhorn Smokehouse.” As of the date of this disclosure document, we have not franchised and do not operate any Longhorn Smokehouse restaurants, nor do we intend to operate or franchise any Longhorn Smokehouse restaurants.

Longhorn was an Illinois corporation incorporated in 1994 and closed in 2020, with the same principal business address as us. From the date it was incorporated until approximately June of 2002, Longhorn operated one Texas-style barbecue restaurant in Urbana, Illinois, under the name “Longhorn Smokehouse.” Since June 2002, the Urbana, Illinois restaurant has been operated as a Hickory River Smokehouse® restaurant under a license from us. There remains one Longhorn Smokehouse Texas-style barbecue restaurant in Bloomington, Illinois. As of the date of this disclosure document, the Bloomington Longhorn Restaurant is the only Longhorn Restaurant in existence. The Longhorn Smokehouse restaurant is substantially similar to Hickory River Smokehouse restaurants and may compete with your Hickory River Smokehouse restaurant. Except as stated above, Longhorn never offered franchises of any type.

We have no predecessors or affiliates, other than Longhorn. Except as described above, neither we, nor any affiliate of ours, offers franchises in any line of business.

Our agents for service of process are disclosed in Exhibit A to this disclosure document.

**The Franchise**

Hickory River Smokehouse restaurants will have a family-oriented theme, will offer on-premises dining and carry out, and will offer for sale a wide variety of Texas-style barbecue food products including ribs, pork and beef brisket, chicken, sandwiches and other products, beverages including beer and wine, and certain services, including catering (the “Menu Items”). In the future, we may permit or require Hickory River franchised restaurants to offer a full-service liquor bar. We may also permit franchisees to offer delivery services, but only with our prior written approval. You must prepare the Menu Items in accordance with our specified recipes and serve them in accordance with our specified standards and procedures. Each franchised restaurant operates under the mark Hickory River Smokehouse® and other marks as we designate (the “Marks”). We have the right to change the name of the System and the restaurant franchises

offered from Hickory River Smokehouse to another name. Franchisees will sign the Franchise Agreement attached to this disclosure document as Exhibit C.

You must operate your restaurant under the unique Hickory River Smokehouse system (the “System”). The System is characterized by our unique Texas-style barbecue food products, distinctive layout, service style, design, signs, decor, furnishings, sauces, recipes, procedures and techniques, all of which we may change. Your restaurant typically will have approximately 2,500 to 6,500 square feet, although we reserve the right to approve franchise locations that are either smaller or larger than this general range.

We will not grant an additional franchise to any existing franchisee that is not in full compliance with its existing Franchise Agreement or that has been in default of its Franchise Agreement within 90 days.

### The Market and Competition

Your restaurant will offer food products to the general public and the sales are not seasonal. Your competitors include other restaurant businesses offering similar food products, including national or regional franchise systems and other chains. The market for restaurants serving barbecue-style ribs, pork and beef brisket, chicken, sandwiches and other products is well developed.

### Laws and Regulations: Licenses and Permits

In addition to laws and regulations that apply to businesses generally, your restaurant will be subject to various federal, state and local government regulations, including those relating to site location and building construction, such as the Americans with Disabilities Act; storage, preparation and sale of food products including meat products; and health, sanitation and safety regulations relating to food service. Laws exist in every state that govern the food service industry (including health, sanitation and safety regulations regarding food storage, preparation and safety) and the sale of alcoholic beverages. You must comply with these laws and other laws that apply to businesses generally. It is your sole responsibility to obtain and keep in force all necessary licenses and permits required by public authorities, including an alcoholic beverage vendor’s license.

## **ITEM 2** **BUSINESS EXPERIENCE**

### President and Director: Bradley E. Bowman

Brad Bowman has been the President and Director of Hickory River, initially in Urbana, Illinois, and now in Shalimar, Florida, from February 26, 2003, to the present. Brad has also been the President and Director of Longhorn from December 23, 1994, to the present.

### Vice President, Secretary and Treasurer: Krista S. Bowman

Krista Bowman has been the Secretary and Treasurer of Hickory River since February 26, 2003, and has been its Vice President since April 21, 2004, initially in Urbana, Illinois, and now in Shalimar, Florida. Krista has also been the Secretary and Director of Longhorn from December 23, 1994, to the present.

### Daniel D. Davis, Franchise Support Agent

Daniel Davis has been a Franchise Support Agent for Hickory River since July 2018. Mr. Davis has been owner of the Tipp City, Ohio Hickory River Smokehouse restaurant since January 2011.

Michael P. Madigan, Franchise Support Agent

Michael Madigan has been a Franchise Support Agent for Hickory River since July 2018. Mr. Madigan has been owner of the Urbana, Illinois Hickory River Smokehouse restaurant since May 2006.

**ITEM 3**  
**LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4**  
**BANKRUPTCY**

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

**ITEM 5**  
**INITIAL FEES**

You pay an Initial Franchise Fee of \$30,000 when you sign a Franchise Agreement. The Initial Franchise Fee is a lump sum payment, fully earned upon receipt, and is not refundable. The Initial Franchise Fee is uniform and there is no range or formula used to calculate the Initial Franchise Fee.

In addition to the Initial Franchise Fee, you are required to spend a minimum of \$10,000 on grand opening advertising for your restaurant (which will include your required purchase of approved grand opening banners), although some franchisees may spend up to a total of \$20,000 or more on grand opening expenses. In most cases, you will pay this amount directly to our approved advertising agency, third-party suppliers of advertising services and to our Approved Supplier of grand opening banners for your restaurant. If you fail to spend the \$10,000 minimum on approved grand opening advertising through the first 45 days of operation of your restaurant, however, we may collect these amounts (or the unspent portion of them) from you. We will spend any such amounts collected from you on grand opening advertising and/or grand opening banners for your restaurant, as we deem appropriate.

Except as described above, you are not required to make any other payments to us or our affiliates for services or goods provided before your restaurant opens.

**ITEM 6**  
**OTHER FEES**

| Type of Fee(1)            | Amount               | Due Date                                                                             | Remarks                                                                                                                     |
|---------------------------|----------------------|--------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|
| Royalty Fee               | 5% of Gross Sales(2) | Paid by electronic funds transfer every Monday for the preceding Reporting Period(3) |                                                                                                                             |
| National Marketing Fee(4) | 3% of Gross Sales(2) | Paid by electronic funds transfer every Monday for the preceding Reporting Period(3) |                                                                                                                             |
| Local Advertising(5)      | 1% of Gross Sales    | Periodically                                                                         | If we designate a local advertising market, you must direct your local advertising expenditure to the cooperative programs. |



| Type of Fee(1)                   | Amount                                                                                                                                             | Due Date                                             | Remarks |
|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|---------|
| Audits (6)                       | Cost of audit, which we estimate will be between \$0 and \$4,000, plus interest at the maximum rate allowable by law (not to exceed 18% per month) | Immediately upon receipt of bill                     |         |
| Transfer Fee                     | ½ of our then-current Initial Franchise Fee                                                                                                        | Upon application for consent to transfer             |         |
| Renewal Fee                      | \$5,000                                                                                                                                            | Upon renewal                                         |         |
| Late Fee                         | \$100 for each delinquent report or payment                                                                                                        | Automatically upon next Electronic Transfer of Funds |         |
| Interest on Late Payment of Fees | 18% per year, or the maximum rate of interest permitted by governing law, whichever is less                                                        | Accrues until fees are paid in full                  |         |

Notes:

- (1) Unless otherwise noted, you pay all fees to us and all fees are non-refundable and uniformly imposed. Royalty Fees and National Marketing Fees are computed by our designated supplier of accounting services and automatically paid to us by ACH transfer.
- (2) Gross Sales includes the total revenues and receipts from the sale of all products, services and merchandise sold at or in connection with your restaurant, whether for cash or credit and regardless of whether or not you collect on any credit you extend. Gross Sales includes revenue from vending machines and revenue from any other activities in your restaurant or on its premises. Gross Sales also includes all of your revenues from the sale of Menu Items outside of your restaurant, including revenue from catering services and sales at concession stands, booths and special events. Gross Sales does not include sales tax.
- (3) Reporting Period means the period from Monday to Sunday (unless we designate otherwise). If there are insufficient funds from which to pay the fee when due, the amount due will bear interest at the highest applicable legal rate up to a maximum of 18% per year from the date due.
- (4) The National Marketing Fee is paid to us for deposit in a Fund established and administered by us.
- (5) You are required to use our designated advertising agency to conduct approved marketing activities relating to your restaurant, including the creation of an annual marketing plan, which we must approve. As of the date of this disclosure document, our designated marketing firm is Artistic Inspirations, but we have the right to change this designation at any time.

The amount of the local advertising expenditures can be increased up to a maximum of 2% if we designate a local advertising market and a majority of the restaurants in your designated advertising market approve the increase. Each restaurant, including our corporate-owned restaurants (but excluding Special Sites), will be a member of the local group. Each franchisee will have one vote per restaurant. If a majority of the restaurants in a local advertising market are corporate owned, we will have majority voting power, although you will not be required to spend more than 2% of Gross Sales for local advertising. Discounts on food, beverages, or other items sold at your restaurant do not qualify as “expenditures” for purposes of meeting the minimum local advertising expenditure.

- (6) You pay for audit costs only if our audit shows an understatement of your Gross Sales, Royalty Fees or National Marketing Fees, or an understatement of 2% or more from data reported to us with respect

to any other item that is material to the computation of fees or analysis of the operation of your restaurant or the System.

**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**

| <b>YOUR ESTIMATED INITIAL INVESTMENT</b><br><b>(Renovation of Existing Restaurant Space that Fits the Hickory River Model)</b> |                  |                  |                          |                                     |                                                    |
|--------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|--------------------------|-------------------------------------|----------------------------------------------------|
| <b>Type of Expenditure</b>                                                                                                     | <b>Amount</b>    |                  | <b>Method of Payment</b> | <b>When Due*</b>                    | <b>To Whom Payment Is to Be Made</b>               |
| Initial Franchise Fee(1)                                                                                                       | \$30,000         | \$30,000         | Lump Sum                 | Upon Signing of Franchise Agreement | Us                                                 |
| Leasehold Improvements(2)                                                                                                      | \$73,500         | \$175,000        | As Arranged              | As Arranged                         | Contractors                                        |
| Furniture, Fixtures and Equipment(3)                                                                                           | \$80,000         | \$250,000        | As Arranged              | As Arranged                         | Approved Suppliers                                 |
| Signage                                                                                                                        | \$15,000         | \$25,000         | As Incurred              | As Incurred                         | Approved Suppliers                                 |
| Computer System/POS(4)                                                                                                         | \$4,500          | \$6,500          | As Incurred              | As Incurred                         | Approved Suppliers                                 |
| Lease & Utility Security Deposits(5)                                                                                           | \$500            | \$15,000         | As Arranged              | Before Opening                      | Lessor and Utility Companies                       |
| Initial Inventory(6)                                                                                                           | \$12,500         | \$20,000         | Lump Sum                 | Upon Delivery of Inventory          | Approved Suppliers                                 |
| Insurance(7)                                                                                                                   | \$2,500          | \$5,000          | As Arranged              | As Arranged                         | Insurance Company                                  |
| Training(8)                                                                                                                    | \$18,000         | \$29,000         | As Incurred              | As Incurred                         | Transportation Lines, Hotels, Restaurants          |
| Grand Opening Advertising/ Marketing (9)                                                                                       | \$10,000         | \$20,000         | As Incurred              | As Incurred                         | Us, Media, Printers, Other Suppliers, Employees    |
| Beer and Wine License(10)                                                                                                      | \$750            | \$5,000          | As Arranged              | As Arranged                         | Appropriate State/Local Authorities or Third Party |
| Professional Fees                                                                                                              | \$1,000          | \$10,000         | As Arranged              | As Arranged                         | Your Attorneys and Other Professionals             |
| Business License and Permits                                                                                                   | \$250            | \$1,000          | As Arranged              | As Arranged                         | Appropriate State/Local Authorities or Third Party |
| Opening Team Travel Expenses(11)                                                                                               | \$6,500          | \$8,000          | As Incurred              | As Incurred                         | Franchisor                                         |
| Additional Funds(12) (3 month period)                                                                                          | \$60,000         | \$75,000         | As Incurred              | As Incurred                         | Employees, Suppliers                               |
| <b>TOTAL(13)</b>                                                                                                               | <b>\$315,000</b> | <b>\$674,500</b> |                          |                                     |                                                    |

\* Except where otherwise noted, we do not offer direct or indirect financing to franchisees for any items. Except where otherwise noted, all amounts that you pay to us or our affiliates are nonrefundable. Third-party suppliers will decide if payments to them are refundable.

- (1) **Initial Franchise Fee.** The Initial Franchise Fee is a lump sum payment due when you sign the Franchise Agreement, and is not refundable.
- (2) **Improvements.** The costs of construction and leasehold improvements depend upon the size and condition of the premises, the nature and extent of leasehold improvements required, the local cost of contract work and the location of your restaurant. For purposes of these estimates, a space will be considered to fit the Hickory River model, if it was previously used as a restaurant and has a drive-

through, counter service space, adequate cooler space, and space for smoker in accordance with our standard sample floor plans. The estimate includes your architectural and engineering fees. Although we will provide you with design criteria (including sample floor plans) at no additional cost to you, you must pay a registered architect to create plans and specifications for your restaurant. Your leasehold improvements must conform to all city, state and local building codes, including the Americans with Disabilities Act. You may use our approved architect to create your building plans or you may hire a registered architect of your own choosing. If you hire an architect other than our approved architect, you must submit building plans for your restaurant to our approved architect for approval before you begin construction of your restaurant, and you must pay our approved architect a review fee of \$3,000 to \$5,000. The building plans that you submit for approval must be full architectural, structural, mechanical, electrical, plumbing, final site and grading plans and food service drawings showing equipment layout, manufacturer and model numbers and bearing the seal of a registered architect in the state where your restaurant will be located. However, we recommend that you submit preliminary designs to our approved architect for review, prior to the preparation and submission of your final building plans.

- (3) Furniture, Fixtures and Equipment. We will provide you, in our Operations Manual or separately, with a list of the furniture, fixtures and equipment necessary for the operation of a restaurant and include refrigerators, freezers, audio visual equipment, tables, chairs and other equipment, furniture and fixtures, along with the Approved Suppliers for these items. The initial investment required will depend on financing terms available and other factors. If your business will include a bar, you should include an additional \$40,000 in the estimated amount for furniture, fixtures, and equipment.
- (4) Computer / POS System. You will need to lease or purchase a computer / POS system that meets our requirements. We currently require a Toast system that can be purchased for \$4,500 to \$6,500, plus monthly subscription fees that vary depending on hardware from \$2,000 to \$3,500 per year.
- (5) Lease & Utility Security Deposits. You typically will rent the premises for your restaurant. Landlords may require a security deposit, and utility companies may require that you place a deposit prior to installing telephone, gas, electricity and related utility services. A typical utility security deposit is 1 month's expense. A typical lease deposit will be an amount equal to 1 month's rent. These deposits may be refundable in accordance with the agreements made with the utility companies and landlord. These estimates may be significantly higher in some jurisdictions. Monthly rental expense may vary widely based on geographic location, size of the restaurant, local rental rates and other factors. We estimate that the monthly rent for your restaurant premises will range from \$15 to \$40 per square foot.
- (6) Initial Inventory. Your initial inventory must be purchased from Approved Suppliers or otherwise in accordance with our specifications and standards. Initial inventory consists of various food products, beverages, paper products, cleaning supplies, menus and other supplies used in the operation of the restaurant as well as other merchandise or products sold by the restaurant. The initial inventory expenditure will vary according to anticipated sales volume and current market prices for supplies.
- (7) Insurance. You must procure and maintain throughout the term of the Franchise Agreement insurance in such amounts as described in the Franchise Agreement. The estimate is for approximately 3 months of premiums and includes liquor liability coverage. The cost of insurance will vary based on policy limits, type of policies procured, any lease requirements, nature and value of physical assets, number of employees, square footage, contents of the business, geographical location and other factors bearing on risk exposure.

- (8) **Training.** You must make arrangements and pay the expenses for you or a Principal Owner, a Certified Manager (if a Principal Owner is not acting in that capacity) and 2 assistant managers to attend our initial training program and an in-store training program at a training restaurant we designate. Training expenses will include transportation, lodging, meals and wages. The amount expended will depend, in part, on the distance you must travel and the type of accommodations you choose. The estimate provided contemplates initial training of 4 people for 6 weeks. The estimate also contemplates the costs of training employees for your restaurant for approximately 3 days prior to your opening.
- (9) **Grand Opening.** You must conduct grand opening advertising and promotion according to our written specifications. You must work with us or a marketing firm that we may designate, to plan your grand opening marketing budget (minimum of \$10,000) and to create a grand opening marketing plan for your restaurant, both of which we must approve. The minimum \$10,000 grand opening cost may include fees paid to our designated marketing firm, the purchase of approved grand opening banners, media placement, and other approved advertising expenditures. These amounts generally will be spent prior to and through the first 45 days of operation of your restaurant. If you do not spend the required \$10,000 minimum, we have the right to collect and administer these funds on your behalf.
- (10) **Beer and Wine License.** It is solely your responsibility to obtain and maintain an alcoholic beverage license for your restaurant permitting you to serve beer and wine. The cost of a license can be significantly higher than the estimated amount, in a few states where the number of licenses is severely restricted or available only from an existing holder.
- (11) **Opening Team Travel Expenses.** You must reimburse us for the travel expenses for our opening team employees. We will pay the salaries for the opening team members.
- (12) **Additional Funds.** This amount of working capital is projected as sufficient to cover initial operating expenses, including management salaries, for a period of 3 months. These figures are estimates, and we cannot guarantee you will not have additional expenses starting the business. Expenses not included are hourly labor costs, food and product costs and rent. Your costs will depend on factors such as: how closely you follow our recommended methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for our product; the prevailing wage rate; competition; and the sales level reached during the initial period. At the time of opening you must have a minimum of \$30,000 in immediately accessible working capital funds to be used solely to defray the costs of operating the restaurant for the initial several months.
- (13) **Total.** In compiling these estimates, we have drawn upon the 20 continuous years of experience that we and our predecessors and affiliates have had in operating restaurants, including our experience operating and franchising Hickory River Smokehouse restaurants since 2003. You should, however, review these figures carefully with a business advisor before making any decision to purchase the franchise.

| YOUR ESTIMATED INITIAL INVESTMENT<br>(Empty Space) |           |           |                   |                                     |                               |
|----------------------------------------------------|-----------|-----------|-------------------|-------------------------------------|-------------------------------|
| Type of Expenditure                                | Amount    |           | Method of Payment | When Due*                           | To Whom Payment Is to Be Made |
| Initial Franchise Fee(1)                           | \$30,000  | \$30,000  | Lump Sum          | Upon Signing of Franchise Agreement | Us                            |
| Leasehold Improvements(2)                          | \$325,000 | \$400,000 | As Arranged       | As Arranged                         | Contractors                   |

| YOUR ESTIMATED INITIAL INVESTMENT<br>(Empty Space) |                  |                    |                   |                            |                                                    |
|----------------------------------------------------|------------------|--------------------|-------------------|----------------------------|----------------------------------------------------|
| Type of Expenditure                                | Amount           |                    | Method of Payment | When Due*                  | To Whom Payment Is to Be Made                      |
| Furniture, Fixtures and Equipment(3)               | \$315,000        | \$430,000          | As Arranged       | As Arranged                | Approved Suppliers                                 |
| Signage                                            | \$15,000         | \$25,000           | As Incurred       | As Incurred                | Approved Suppliers                                 |
| Computer System/ POS(4)                            | \$4,500          | \$6,500            | As Incurred       | As Incurred                | Approved Suppliers                                 |
| Lease & Utility Security Deposits(5)               | \$500            | \$15,000           | As Arranged       | Before Opening             | Lessor and Utility Companies                       |
| Initial Inventory(6)                               | \$15,000         | \$25,000           | Lump Sum          | Upon Delivery of Inventory | Approved Suppliers                                 |
| Insurance(7)                                       | \$2,500          | \$5,000            | As Arranged       | As Arranged                | Insurance Company                                  |
| Training(8)                                        | \$18,000         | \$29,000           | As Incurred       | As Incurred                | Transportation Lines, Hotels, Restaurants          |
| Grand Opening Advertising/ Marketing (9)           | \$10,000         | \$20,000           | As Incurred       | As Incurred                | Us, Media, Printers, Other Suppliers, Employees    |
| Beer and Wine License(10)                          | \$750            | \$5,000            | As Arranged       | As Arranged                | Appropriate State/Local Authorities or Third Party |
| Professional Fees                                  | \$1,000          | \$10,000           | As Arranged       | As Arranged                | Your Attorneys and Other Professionals             |
| Business License and Permits                       | \$250            | \$1,000            | As Arranged       | As Arranged                | Appropriate State/Local Authorities or Third Party |
| Opening Team Travel Expenses(11)                   | \$6,500          | \$8,000            | As Incurred       | As Incurred                | Franchisor                                         |
| Additional Funds(12)<br>(3 month period)           | \$60,000         | \$75,000           | As Incurred       | As Incurred                | Employees, Suppliers                               |
| <b>TOTAL(13)</b>                                   | <b>\$804,000</b> | <b>\$1,084,500</b> |                   |                            |                                                    |

\* Except where otherwise noted, we do not offer direct or indirect financing to franchisees for any items. Except where otherwise noted, all amounts that you pay to us or our affiliates are nonrefundable. Third-party suppliers will decide if payments to them are refundable.

- (1) **Initial Franchise Fee.** The Initial Franchise Fee is a lump sum payment due when you sign the Franchise Agreement, and is not refundable.
- (2) **Improvements.** The costs of construction and leasehold improvements depend upon the size and condition of the premises, the nature and extent of leasehold improvements required, the local cost of contract work and the location of your restaurant. The estimate includes your architectural and engineering fees. Although we will provide you with design criteria (including sample floor plans) at no additional cost to you, you must pay a registered architect to create plans and specifications for your restaurant. Your leasehold improvements must conform to all city, state and local building codes, including the Americans with Disabilities Act. You may use our approved architect to create your building plans or you may hire a registered architect of your own choosing. If you hire an architect other than our approved architect, you must submit building plans for your restaurant to our approved architect for approval before you begin construction of your restaurant, and you must pay our approved architect a review fee of \$3,000 to \$5,000. The building plans that you submit for

approval must be full architectural, structural, mechanical, electrical, plumbing, final site and grading plans and food service drawings showing equipment layout, manufacturer and model numbers and bearing the seal of a registered architect in the state where your restaurant will be located. However, we recommend that you submit preliminary designs to our approved architect for review, prior to the preparation and submission of your final building plans.

- (3) Furniture, Fixtures and Equipment. We will provide you, in our Operations Manual or separately, with a list of the furniture, fixtures and equipment necessary for the operation of a restaurant and include refrigerators, freezers, audio visual equipment, tables, chairs and other equipment, furniture and fixtures, along with the Approved Suppliers for these items. The initial investment required will depend on financing terms available and other factors. If your business will include a bar, you should include an additional \$40,000 in the estimated amount for furniture, fixtures, and equipment.
- (4) Computer / POS System. You will need to lease or purchase a computer / POS system that meets our requirements. We currently require a Toast system that can be purchased for \$4,500 to \$6,500, plus monthly subscription fees that vary depending on hardware from \$2,000 to \$3,500 per year.
- (5) Lease & Utility Security Deposits. You typically will rent the premises for your restaurant. Landlords may require a security deposit, and utility companies may require that you place a deposit prior to installing telephone, gas, electricity and related utility services. A typical utility security deposit is 1 month's expense. A typical lease deposit will be an amount equal to 1 month's rent. These deposits may be refundable in accordance with the agreements made with the utility companies and landlord. These estimates may be significantly higher in some jurisdictions. Monthly rental expense may vary widely based on geographic location, size of the restaurant, local rental rates and other factors. We estimate that the monthly rent for your restaurant premises will range from \$15 to \$40 per square foot.
- (6) Initial Inventory. Your initial inventory must be purchased from Approved Suppliers or otherwise in accordance with our specifications and standards. Initial inventory consists of various food products, beverages, paper products, cleaning supplies, menus and other supplies used in the operation of the restaurant as well as other merchandise or products sold by the restaurant. The initial inventory expenditure will vary according to anticipated sales volume and current market prices for supplies.
- (7) Insurance. You must procure and maintain throughout the term of the Franchise Agreement insurance in such amounts as described in the Franchise Agreement. The estimate is for approximately 3 months of premiums and includes liquor liability coverage. The cost of insurance will vary based on policy limits, type of policies procured, any lease requirements, nature and value of physical assets, number of employees, square footage, contents of the business, geographical location and other factors bearing on risk exposure.
- (8) Training. You must make arrangements and pay the expenses for you or a Principal Owner, a Certified Manager (if a Principal Owner is not acting in that capacity) and 2 assistant managers to attend our initial training program and an in-store training program at a training restaurant we designate. Training expenses will include transportation, lodging, meals and wages. The amount expended will depend, in part, on the distance you must travel and the type of accommodations you choose. The estimate provided contemplates initial training of 4 people for 6 weeks. The estimate also contemplates the costs of training employees for your restaurant for approximately 3 days prior to your opening.
- (9) Grand Opening. You must conduct grand opening advertising and promotion according to our written specifications. You must work with us or a marketing firm that we may designate, to plan

your grand opening marketing budget (minimum of \$10,000) and to create a grand opening marketing plan for your restaurant, both of which we must approve. The minimum \$10,000 grand opening cost may include fees paid to our designated marketing firm, the purchase of approved grand opening banners, media placement, and other approved advertising expenditures. These amounts generally will be spent prior to and through the first 45 days of operation of your restaurant. If you do not spend the required \$10,000 minimum, we have the right to collect and administer these funds on your behalf.

- (10) Beer and Wine License. It is solely your responsibility to obtain and maintain an alcoholic beverage license for your restaurant permitting you to serve beer and wine. The cost of a license can be significantly higher than the estimated amount, in a few states where the number of licenses is severely restricted or available only from an existing holder.
- (11) Opening Team Travel Expenses. You must reimburse us for the travel expenses for our opening team employees. We will pay the salaries for the opening team members.
- (12) Additional Funds. This amount of working capital is projected as sufficient to cover initial operating expenses, including management salaries, for a period of 3 months. These figures are estimates, and we cannot guarantee you will not have additional expenses starting the business. Expenses not included are hourly labor costs, food and product costs and rent. Your costs will depend on factors such as: how closely you follow our recommended methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for our product; the prevailing wage rate; competition; and the sales level reached during the initial period. At the time of opening you must have a minimum of \$30,000 in immediately accessible working capital funds to be used solely to defray the costs of operating the restaurant for the initial several months.
- (13) Total. In compiling these estimates, we have drawn upon the 20 continuous years of experience that we and our predecessors and affiliates have had in operating restaurants, including our experience operating and franchising Hickory River Smokehouse restaurants since 2003. You should, however, review these figures carefully with a business advisor before making any decision to purchase the franchise.

## **ITEM 8**

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

In order to ensure a uniform image and uniform quality of products and services throughout the Hickory River Smokehouse System, you must maintain and comply with our quality standards. Although you are not required to purchase or lease real estate from us or our affiliates, we must consent to the location of your restaurant. Your lease must contain the Addendum to Lease, attached as Appendix C to the Franchise Agreement. You must construct and equip your restaurant in accordance with our then-current approved design, specifications and standards and you must retain the services of one of our approved architects. You must either use our approved architect to prepare the plans and specifications for your restaurant or submit the plans and specifications for your restaurant to our approved architect for review. We also reserve the right to approve your general contractor. In addition to meeting our design specifications and standards, it is your responsibility to ensure that your building plans comply with the Americans with Disabilities Act and all other federal, state and local laws. You also must use equipment (including hardware and software for a restaurant point-of-sale system and audio/video equipment), signage, fixtures, furnishings, products, ingredients, supplies and advertising materials that meet our specifications and standards.

### Designated Sources: Approved Supplies and Suppliers Lists

We provide you with a list of approved manufacturers, suppliers and distributors (“Approved Suppliers”) and approved inventory products, fixtures, furniture, equipment, signs, stationery, supplies and other items or services necessary to operate your restaurant (“Approved Supplies”). The list of Approved Suppliers may specify the specific manufacturer of a specific product or piece of equipment, and you may purchase the specific product or piece of equipment from any source that carries the specific approved product or piece of equipment. From time to time we, an affiliate, or a third-party vendor or supplier may be the only approved supplier for certain products. For instance, we may require you to purchase outdoor signage from a designated source. The lists also may include other specific products without reference to a particular manufacturer, or they may state the specifications and/or standards for other approved products. We may revise the lists of Approved Suppliers and Approved Supplies. We give you the approved lists as we deem advisable. None of our officers owns an interest in any approved suppliers. Currently, we require that every item of merchandise sold at your Restaurant that bears any of the Marks must be purchased from our designated marketing firm. As of the date of this disclosure document, the designated marketing firm for the Hickory River Smokehouse System, and the only approved supplier of such items, is Artistic Inspirations in Tipp City, Ohio (“Artistic Inspirations”).

You are required to spend a minimum of \$10,000 for grand opening advertising (including grand opening banners) for your restaurant, although some franchisees may spend up to \$20,000 or more on grand opening expenses. You are required to use the marketing firm that we designate to conduct approved marketing activities relating to your restaurant. You must prepare a grand opening marketing plan and budget in consultation with our designated marketing firm. As of the date of this disclosure document, the designated marketing firm is Artistic Inspirations, but we have the right to change this designation at any time. You may also purchase from us or our Approved Suppliers certain promotional items to use as part of your grand opening activities and ongoing marketing efforts. If you do not spend the \$10,000 minimum, as required by us, we may collect any unspent portion of the \$10,000 minimum from you and spend it on your behalf.

In addition to creating your grand opening marketing plan and budget, we have the right to require you to consult with our designated marketing firm (currently Artistic Inspirations) on an annual basis at or around the time of the anniversary of your restaurant’s opening to create an annual marketing plan for your restaurant, which we must approve. We may also require any local advertising cooperatives that we designate to use our designated marketing firm to implement cooperative advertising and marketing programs. Your payments to our designated marketing firm will count toward your minimum local advertising expenditure (1% of Gross Sales).

As of the date of this disclosure document, we have negotiated a preferred vendor relationship with Fleming, Tawfall & Co, P.C, Litchfield, Illinois (“Fleming”), and we have designated Fleming as the only Approved Supplier of accounting services for Hickory River Smokehouse franchisees. At a minimum, you must purchase and use Fleming’s basic accounting package for your franchised restaurant, which we estimate will cost \$1,500 for initial setup and \$1,000 per month. Fleming offers additional services, which you may purchase at your option. We have also negotiated a preferred vendor relationship with ADP for discounted payroll services. ADP will charge a \$200 set up fee, plus a bi-weekly fee of \$199 and \$3.60 per employee per payroll.

As of the date of this disclosure document, bulk and pre-packaged versions of our proprietary Hickory River Smokehouse® barbecue sauce(s), as well as certain side dishes and other food items, are manufactured and supplied to Hickory River Smokehouse franchisees by Approved Suppliers under a license from us. We have negotiated preferred vendor relationship with Approved Suppliers. We and our affiliates (including HRS Sauce) reserve the right to supply these items directly (and exclusively) to



franchisees in the future. We derive licensing revenue from Approved Suppliers as a result of required franchisee purchases. Our Operations Manual contains additional information on the specific Approved Supplies that must be purchased through the Approved Suppliers. Neither we nor any other affiliate is currently Approved Suppliers for any other products.

Although we do not currently do so, we have the right to designate a single, mandatory Approved Supplier of maintenance and support services for the Toast system, our required POS System. If we do so, you must participate in the maintenance and support program and pay the fees charged by our designated Approved Supplier.

You must notify us in writing prior to use if you want to offer for sale at the restaurant any brand of product, or to use in the operation of the restaurant any brand of food ingredient or other material item that is not then approved by us, or to purchase any product from a supplier that is not then designated by us as an approved supplier. Unless we have designated a single source for the item, in which case you may not use an alternative supplier, you must submit samples and other information as we require for testing or to otherwise determine whether the product, material or supply, or the proposed supplier meets our specifications and quality standards. We generally will notify you of supplier approval or disapproval within 45-60 days of our receipt of all the information and samples we request. The supplier also may be required to sign a supplier agreement. We may re-inspect the facilities and products of any supplier of an approved supplier or item and revoke our approval of any supplier or item that fails to continue to meet any of our criteria. We will send written notice of any revocation of an approved supplier or item.

We apply the following general criteria in approving a proposed supplier: 1) ability to make product in conformity with our specifications; 2) willingness to protect the secrets behind the uniqueness of a product without dissemination to others; 3) production and delivery capability; 4) reputation and integrity of supplier; and 5) financial condition and insurance coverage of the supplier.

Soft drinks are on the Approved Supplies list. You will be required to buy soft drinks from an Approved Supplier that we designate.

You must participate in any gift card program that we designate for the Hickory River Smokehouse System, and we may require that you sign a participation agreement with a third-party program administrator, if any. Our gift card program is currently administered by us. You must use and honor any System-wide gift cards, certificates and checks that we designate and we may require you to obtain all certificates, cards or checks from a supplier on the Approved Suppliers list.

We and our affiliates reserve the right to receive marketing credits in the form of revenue or other consideration from suppliers in connection with your purchase of goods, products and services. Most of these credits are calculated on an amount based on products sold to you. We will retain and use such credits as we deem appropriate or as required by the vendor.

During our 2023 fiscal year, we received revenues of \$108,889 in supplier rebates resulting from all required purchases and leases of products, supplies, equipment, and services by Hickory River Smokehouse franchisees. This amounted to 16.2% of our total revenues of \$672,528, based on our audited financial statements for the year ended December 31, 2023, which are included in this disclosure document as Exhibit B.

We may negotiate prices of products for the benefit of the System but not on behalf of individual franchisees. There is no purchasing or distribution cooperative. We try to receive volume discounts for the System. We do not provide material benefits to you because of your use of approved suppliers.

You must purchase and maintain in full force and effect, at your expense and from a company we accept, insurance that insures both you and us, our affiliates and any other persons we designate by name. The insurance policies must include, at a minimum: (i) special/causes of loss coverage forms (sometimes called “All Risk coverage”) on the restaurant and all fixtures, equipment, supplies and other property used in the operation of the restaurant, for full repair and replacement value of the machinery, equipment and improvements, including full coverage for loss of income resulting from damage to the restaurant without any co-insurance clause, except that an appropriate deductible clause is permitted; (ii) business interruption insurance covering a minimum 12 months loss of income, including coverage for our Royalty Fees with us named as a loss payee with respect to those fees; (iii) comprehensive general liability insurance, including product liability insurance, with minimum limits of \$1,000,000 per occurrence and \$2,000,000 in the aggregate; (iv) liquor liability coverage with minimum limits of \$1,000,000 per occurrence and \$2,000,000 in the aggregate; (v) “Per Location” aggregate limits when multiple restaurant locations are insured under one comprehensive general liability policy and/or liquor liability policy(ies); (vi) automobile liability insurance, including owned, hired and non-owned vehicle coverage with a minimum combined single limit of \$500,000 per claim (vii) workers’ compensation and employer’s liability insurance covering all of your employees (viii) umbrella liability insurance which also includes liquor liability, employers liability and automobile liability of \$2,000,000 or more; (ix) us, our parent and our affiliates as named additional insureds on all liability policies required by this subparagraph; (x) any other such insurance coverages or amounts as required by law or other agreement related to the restaurant.

You can expect items purchased or leased in accordance with our specifications will represent approximately 80% to 90% of total purchases you will make to begin operations of the business and over 40% to 50% of the ongoing costs to operate the business.

## **ITEM 9**

### **FRANCHISEE’S OBLIGATIONS**

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

| <b>Obligation</b>                                                  | <b>Section in agreement</b> | <b>Disclosure document Item</b> |
|--------------------------------------------------------------------|-----------------------------|---------------------------------|
| a. Site selection and acquisition/lease                            | Sections 2A and 5A          | Items 7 and 11                  |
| b. Pre-opening purchases/leases                                    | Sections 5A, 5F and 6C      | Items 5, 6, 7 and 8             |
| c. Site development and other pre-opening requirements             | Sections 5A and 5B          | Items 7, 8 and 11               |
| d. Initial and ongoing training                                    | Sections 7B and 7C          | Items 5, 6 and 11               |
| e. Opening                                                         | Sections 2C and 5A          | Items 5 and 11                  |
| f. Fees                                                            | Sections 9A-C               | Items 5, 6 and 7                |
| g. Compliance with System Standards and policies/Operations Manual | Sections 6A-P               | Items 6, 7, 8, 11, 14 and 16    |
| h. Trademarks and proprietary information                          | Sections 3A-E and 6J        | Items 13 and 14                 |
| i. Restrictions on products/services offered                       | Sections 2D and 2E          | Items 6, 7, 8, 11, and 16       |
| j. Warranty and customer service requirements                      | Sections 2E and 6L          | Items 6 and 11                  |
| k. Territorial development and sales quotas                        | Sections 2B and 2D          | Item 12                         |
| l. Ongoing product/service purchases                               | Sections 6A-C               | Items 6, 7 and 8                |
| m. Maintenance, appearance, and remodeling requirements            | Sections 3E, 5B-E           | Items 8 and 11                  |
| n. Insurance                                                       | Section 10D                 | Items 6, 7 and 8                |

| Obligation                                       | Section in agreement   | Disclosure document Item |
|--------------------------------------------------|------------------------|--------------------------|
| o. Advertising                                   | Sections 8A-F and 9C   | Items 6, 7 and 11        |
| p. Indemnification                               | Section 10B            | None                     |
| q. Owner's participation/<br>management/staffing | Sections 7A-E          | Items 11 and 15          |
| r. Records and reports                           | Sections 9D, 9G and 9H | None                     |
| s. Inspections and audits                        | Sections 5C, 6G and 9H | Items 6 and 11           |
| t. Transfer                                      | Sections 11A-G         | Items 6 and 17           |
| u. Renewal                                       | Sections 4A-B          | Items 6 and 17           |
| v. Post-termination obligations                  | Sections 14A-C         | Item 17                  |
| w. Non-competition covenants                     | Section 10D            | Item 17                  |
| x. Dispute resolution                            | Sections 12A and 12B   | Item 17                  |

## **ITEM 10**

### **FINANCING**

We do not offer, either directly or indirectly, any financing to you. We are unable to estimate whether you will be able to obtain financing for any or all of your investment and, if so, the terms of the financing. Neither we nor our affiliates receive payment or other consideration for the placing of financing. We do not have any present practice or intent to assign to a third party any instrument signed by you. No contracts or investments contain a waiver of defenses or similar provisions. We do not guarantee your notes, leases or other obligations.

## **ITEM 11**

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

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

The Franchise Agreement allows us to delegate these responsibilities, and we may, in the future, delegate the day-to-day responsibility for franchisee assistance to a management company.

#### **Pre-Opening Assistance.**

Before you open your restaurant, we will:

1. Provide you with site selection criteria and general building and design requirements, including sample floor plans, for your restaurant (Franchise Agreement, Sections 5A and B).
2. Provide you with the Approved Suppliers and Approved Supplies lists (Franchise Agreement, Section 6.C).
3. Provide you with either a written copy or an electronic copy of the Operations Manual that identifies the specifications and procedures incidental to the operation of the restaurant (Franchise Agreement, Section 6I).
4. Approve all grand opening promotional materials and advertising to be used by you (Franchise Agreement, Sections 8B and F).
5. Provide the training programs described below (Franchise Agreement, Sections 7B and C).

6. Provide you with an Opening Team to assist you in the opening and initial operation of your restaurant (Franchise Agreement, Section 2C). An "Opening Team" will consist of up to 4 individuals (the "Opening Team Workers"). An Opening Team Worker will be either an employee of us or an existing Hickory River Smokehouse franchisee, and will have successfully completed the Hickory River Smokehouse training program and any additional training component specific to Opening Team Workers. The Opening Team will work for up to a total of 240 person-hours (or up to 60 hours per Opening Team Worker) at your restaurant over a period of time ranging from 6 to 10 calendar days at or around the time of your restaurant's opening. We will work with you to schedule the actual dates and times that the Opening Team is present at your restaurant. Currently, Hickory River Smokehouse restaurant Opening Teams consist of 1 Opening Team Worker in each of the following 4 areas: (1) Kitchen; (2) Service Areas (Dining Room and Bar); (3) Management; and (4) Leadership. We have the right to change the makeup of the Opening Team in the future. The Opening Team's role is to train you and your managers on the Hickory River Smokehouse System and brand standards, and not to control the day-to-day operation of your Restaurant or to supervise your employees.

#### Ongoing Assistance.

During the operation of your restaurant, we will provide you with the following assistance:

1. Maintain the national marketing fund. (Franchise Agreement, Section 8A)
2. Provide updates to the Approved Suppliers and Approved Supplies lists. (Franchise Agreement, Section 7C)
3. Make periodic visits to your restaurant as we reasonably determine to be necessary to provide consultation and guidance. A Principal Owner or a Certified Manager (Franchise Agreement, Sections 1A and F) must be present during these visits. Any visits to your Restaurant by us are to protect our interest in the Marks and System and not to control the day-to-day operation of your Restaurant or for supervision of your employees. (Franchise Agreement, Section 6G)
4. Provide refresher training courses, as we determine necessary and require you to attend. We provide these training programs without charge; however, you must pay all expenses for you and your employees, including training materials, travel and living expenses. (Franchise Agreement, Section 7C)

#### Advertising/Marketing

You are required pay a National Marketing Fee of 3% of your Gross Sales to an advertising and development fund (the "Fund") established by us. Other franchisees may contribute to the Fund at different rates.

We will administer the Fund. The Fund is not a trust or escrow account, and we do not have any fiduciary obligations with respect to the Fund. We may use the Fund for (1) broadcast or print advertising; (2) the creation, development and production of advertising and promotional materials, including ad slicks, radio, film and television commercials, videotapes, direct mail pieces, and other print advertising; (3) any marketing or related research and development; and (4) advertising and marketing expenses, including product and food research and development, services provided by advertising agencies, public relations firms or other marketing, research or consulting firms or agencies, menu designs, customer incentive

programs, sponsorships, marketing meetings and sales incentives, development of our website and intranet system, internet access provider costs, subscriptions to industry newsletters or magazines, and salaries for marketing support personnel. We also may be paid out of the Fund for reasonable administrative costs and overhead incurred in administering the Fund.

We determine the use of the monies in the Fund. We are not required to spend any particular amount on marketing, advertising or promotion in the area in which your restaurant is located. During our fiscal year ended December 31, 2023, we collected \$136,748 into the Fund from Hickory River Smokehouse restaurants in operation during 2023 and spent \$147,135 on marketing and advertising activities. Of the amounts expended, we spent \$82,500 (56.1%) on advertising production, \$52,800 (35.8%) on media networks, and \$11,835 (8.1%) on other expenses, including administrative expenses relating to the Fund. Any amounts not spent in the year of receipt are held over for use on future marketing fund expenditures.

We oversee the advertising program and use the Fund to conduct national, regional or local advertising. We are not required to contribute to the Fund at the same rate as franchisees for our company-owned restaurants that we operate. Outside suppliers may also contribute to the Fund, although none currently do so. We will prepare an unaudited annual accounting of the Fund and will make it available for your review upon your reasonable written request. We may use our designated marketing firm or any other outside national, regional or local advertising agency for marketing production. Other than spending the National Marketing Fees paid to us as described above, we are not obligated to conduct any additional advertising, marketing or promotion.

Any portion of the Fund that we do not spend during the fiscal year will remain in the Fund and carry over to the next fiscal year. In any fiscal year, we may spend an amount greater or less than the aggregate contributions to the Fund made by franchised and corporate owned Hickory River Smokehouse restaurants in that year and we may make loans to the Fund bearing reasonable interest to cover any deficits of the Fund and cause the Fund to invest any surplus for future use by the Fund. We will not use any of the Fund advertisement or marketing whose primary purpose is the solicitation of franchise sales. In addition, we will not use the Fund to pay our legal fees, unless we incur such legal fees in connection with marketing efforts on behalf of the System, including the production of advertising and promotional material.

You must spend at least 1% of your Gross Sales on local advertising and promotion. You must obtain our approval of all promotional and advertising materials before use. Your minimum local advertising expenditure must include the creation of an annual marketing plan (which we must approve) in consultation with our designated marketing firm, which currently is Artistic Inspirations. We will not unreasonably withhold approval of any promotional and advertising materials that you propose to use, as long as your materials are factually accurate, current, in good condition, taste and quality, and accurately depict the Hickory River Smokehouse products and trademarks.

As of the date of this disclosure document, we do not form, organize, maintain or otherwise make use of advertising cooperatives, nor do we require you to join one. We have the right, however, in the future, to form, organize, maintain and otherwise make use of local or regional advertising cooperatives. If a local or regional advertising cooperative is formed or organized for the market that includes your restaurant, we have the right to require you to participate in and contribute to the advertising cooperative your required local advertising expenditure (1% of your Gross Sales), which is in addition to your National Marketing Fees and any lease-required advertising fees. Each Hickory River Smokehouse restaurant located within an advertising cooperative, including Hickory River Smokehouse restaurants owned by us or our affiliates, will be a member of the advertising cooperative and have one vote per restaurant. Each advertising cooperative will be required to adopt written governing documents that meet our approval. If a majority of the restaurants in your advertising cooperative votes to spend more than the minimum 1% of

Gross Sales on local marketing and promotion within the market that includes your restaurant, you will be required to participate, but you will not be required to spend more than 2% of your Gross Sales on local advertising and promotion. We have the right to require local and regional advertising cooperatives to be formed, changed, dissolved or merged.

As of the date of this disclosure document, there is no advertising council for the System. We have the power, however, to form, change, or dissolve any advertising council. In addition, any advertising council we form will serve in only an advisory capacity.

You must maintain a business phone and advertise continuously in the classified section of a local telephone directory, the cost of which will count toward your local marketing requirement.

#### Use of Electronic Media and the Internet

You are not permitted to advertise through the internet or through any electronic medium, including email, without our prior approval. (Franchise Agreement, Section 8.B.) You are not permitted to use the Marks as part of an internet domain name or email address. (Franchise Agreement, Section 3.B.) You may not sell or distribute products identified by the Marks through the internet. (Franchise Agreement, Section 2.D.)

#### Information System

You must record all sales on the information system that we have approved. The information system is defined as the electronic computer / POS system and all hardware, software and data used to record and analyze sales, labor, inventory, product usage, site selection criteria and tax information. We reserve the right to designate changes or enhancements to the information system used in your restaurant including the electronic POS system, computer hardware, software and other equipment. At such time as we designate the change or enhancement to the information system, you may be required to make certain payments to us or our Approved Suppliers. You will have 6 months to install and commence using the changed or enhanced information system. You must acquire the right to use hardware, software, peripheral equipment and accessories, and arrange for installation, maintenance and support services of the initial, changed or enhanced information system all at your cost.

We may access the information system and retrieve, analyze, download and use all software, data and files stored or used on the information system. We may access the information system through our intranet, in your restaurant or from other locations. You must store all data and information that we designate and report data and information in the manner we specify, including through our intranet or other online communications. You also must maintain a phone line and modem dedicated for the sole use of allowing our information system to interface and communicate with your information system, and you may need to purchase software designated by us for this to occur. You also must have your restaurant connected to the internet using a connection method we approve, currently DSL or Cable modem. You must have an internet email account. You understand that the data storage, phone line, modem, communication software, internet access, internet email account and all additional hardware and software needed to implement and maintain these services is at your cost.

The current approved POS system is Toast. Toast is an integrated point-of-sale cash register and information system designed for the dining industry, which utilizes magnetic stripe readers, touch-screen technology, and Toast's proprietary software. We currently require you to purchase the Toast system software as well as hardware sufficient for a minimum of 2 POS terminals from a supplier that we approve. You will be required to spend \$4,500 to \$6,500 for your initial purchase of POS hardware and software, plus monthly subscription fees that vary depending on hardware from \$2,400 to \$4,200 per year. We have

the right to change the approved POS system and to require you to periodically purchase hardware and/or software upgrades for your POS system. Although we do not require you to purchase a contract for ongoing maintenance or support of your POS system, you may choose to do so. Support services are included in the monthly subscription fees.

### Site Selection

You select the site for the restaurant within the area designated in the Franchise Agreement. We provide you with site selection criteria. You must verify to us that your site complies with our site selection criteria. We do not select, endorse or approve your site. However, upon your submission of all required information, we will provide you with written confirmation within 15-30 days that we have no objections to your site. You may not proceed to develop a restaurant on the site unless we have consented to the site. Our identification of, or consent to, a site does not constitute a guarantee, recommendation or assurance as to the success of the site or your restaurant. The site selection factors considered by us in deciding whether or not to object to the location may include the following: (a) demographics; (b) traffic patterns; (c) visibility; (d) business mix; (e) ability to obtain alcoholic beverage license; (f) ability to reflect image to be portrayed by Hickory River Smokehouse businesses; and (g) adequacy of signs and image. If you and we cannot agree on a site to enable you to open your restaurant within 90 days of your signing the Franchise Agreement, we may terminate your Franchise Agreement, without return of your Initial Franchise Fee (Franchise Agreement, Section 2.A).

### Typical Length of Time Before You Open Your Business

The typical length of time between the signing of the Franchise Agreement, or the first payment of any consideration for the franchise, and the opening of your business can be approximately 9 to 15 months from the execution of the Franchise Agreement. Factors that may impact this length of time may include whether you have a site selected upon execution of the Franchise Agreement, your ability to obtain a site, prepare a site survey, arrange leasing and financing, make leasehold improvements, install fixtures, equipment, and signs, decorate the restaurant, meet local requirements, obtain inventory, obtain alcoholic beverage license, and similar factors.

If you have not selected a site at the time the Franchise Agreement is signed, you have 180 additional days to do so or we may terminate the Franchise Agreement. You must begin operation within 365 days after signing the Franchise Agreement or 365 days after we approve your site, whichever is later. If you fail to begin operations within the stated time, we may terminate the Franchise Agreement, without refunding the Initial Franchise Fee (Franchise Agreement, Section 13B).

### Operations Manual

We will provide you a copy of our Operations Manual. The Operations Manual contains both mandatory and suggested standards and procedures that we develop to ensure the brand standards for Hickory River Smokehouse restaurants and information relating to your obligations as a franchisee. Our Operations Manual contains proprietary information and you must keep such information confidential (Franchise Agreement, Section 6J). The Table of Contents for the Operations Manual, as of the Issuance Date of this Disclosure Document, is as follows:

#### OPERATIONS MANUAL

##### PREFACE (8 pages)

The Manual Organization

The Purpose of this Manual

The Importance of Confidentiality

Keeping the Franchise Operations Manual  
Current  
Submitting Suggestions to Hickory River  
Manual Disclaimer

- A. INTRODUCTION (16 pages)  
Welcome Letter from the President  
History of Hickory River  
Services Provided to the Hickory River  
Franchisee  
Responsibilities of the Hickory River  
Franchisee and Staff  
Visits from the Corporate Office  
Paying Other Fees
- B. PRE-OPENING PROCEDURES (65 pages)  
Introduction  
Pre-Opening Checklist  
Site Selection Process  
Site Selection Criteria  
Gaining Site Selection Approval  
Lease Considerations  
Working with an Architect  
Selecting a Contractor  
Building Out the Restaurant Facility  
Required List of Equipment  
Initial Inventory  
Signage and Logo Specifications  
Contracting with Required Utilities and  
Services  
Obtaining Required Licenses and Permits  
Setting Up Bank Accounts  
Procuring Required Insurance Policies  
Meeting Your Tax Obligations  
Conducting a Grand Opening
- C. PERSONNEL (90 pages)  
Introduction  
EEOC Guidelines in Hiring Employees  
Wage and Labor Laws  
Immigration Reform Act  
I-9 Form Requirement  
Profile of the Ideal Hickory River Employee  
Manager  
Assistant Manager  
Cook  
Counter Service  
Dishwasher  
Prep Person  
Recruiting Employees  
Getting the Word Out  
Sources of Applicants

The Interview Process  
Sample Interview Questions  
Completing the Interview Report  
Testing Procedures  
Reference Check Procedures  
Job Descriptions (for each position)  
Hiring on a Trial Period  
Training Employees  
Orientating New Employees (for each  
position)  
Initial Training of New Employees (for each  
position)  
Ongoing Training Process (for each  
position)  
Personnel Policies  
Time-Tracking Procedures  
Uniform and Dress Code  
Conducting Performance Evaluations  
Progressive Discipline Procedures  
Separation/Termination Procedures

- D. DAILY OPERATING PROCEDURES (135  
pages)  
Introduction  
Suggested Hours of Operation  
Daily Routines  
Opening Procedures  
Closing Procedures  
Customer Service Procedures  
Hickory River's Customer Service  
Philosophy  
Providing Excellent Customer Service  
Use of Comment Cards  
Handling Customer Complaints  
Handling Refund Requests  
Manager Procedures  
Facilitating Customer Service Procedures  
Organizing the Staff  
Scheduling Employees  
Inventory Procedures  
Generating Necessary Reports/Using POS  
System  
Ensuring Quality Control  
Building Customer Loyalty  
Overseeing Facility Maintenance Program  
Customer Transaction Procedures  
Bussing/Setting Up the Tables  
Greeting Customers  
Taking Customer Orders  
Communication of Orders  
Using POS System to Enter Orders



Suggestive Selling  
Transacting Sales  
Cash Handling Procedures  
Cook Procedures  
Hickory River's Recipes  
Preparing Menu Items to Order  
Prep Procedures  
Prepping Menu Items Correctly  
Morning Prep Work  
Pre-Dinner Prep Work  
Evening Prep Work  
Generating Prep Lists  
Using Prep Lists  
The POS System  
Inventory Management  
Product Ordering Procedures  
Ordering from Approved Suppliers  
Ordering from the Commissary  
Changing Approved Suppliers  
Product Receiving Procedures  
Franchise Reporting Requirements

Royalty Payment  
Advertising Contributions  
Required Weekly Reports  
Financial Statements  
Required Cleaning and Maintenance  
Daily Cleaning and Maintenance  
Weekly Cleaning Maintenance  
Monthly Cleaning Maintenance  
Safety and Security Issues

- E. ADVERTISING (20 pages)  
Promoting Hickory River in Your Area  
Use of Media  
Guidelines for Using Hickory River's Marks  
Using Referrals to Build Business  
Required Advertising Expenditures  
System-wide Advertising Contribution  
Local Advertising Requirement  
Grand Opening Advertising Requirement  
Public Relations/Community Involvement  
Obtaining Advertising Approval

**Total Pages: 334**

### Training

Not more than 60 days before the opening of your restaurant, we will provide the following initial training and familiarization course to train at least 3 people from your management team, which the attendees must complete to our satisfaction:

## TRAINING PROGRAM

| Subject                                 | Hours of Classroom Training | Hours of On-The-Job Training | Location                                             |
|-----------------------------------------|-----------------------------|------------------------------|------------------------------------------------------|
| Overview                                | 6                           | 0                            | Training Restaurant we designate in Illinois or Ohio |
| Management of employees/running kitchen | 7                           | 32                           | Training Restaurant we designate in Illinois or Ohio |
| Customer Service                        | 7                           | 32                           | Training Restaurant we designate in Illinois or Ohio |
| Inventory                               | 7                           | 32                           | Training Restaurant we designate in Illinois or Ohio |
| Food Preparation                        | 7                           | 32                           | Training Restaurant we designate in Illinois or Ohio |
| Certified Manager's duties              | 7                           | 32                           | Training Restaurant we designate in Illinois or Ohio |
| POS System                              | 7                           | 32                           | Training Restaurant we designate in Illinois or Ohio |
| <b>TOTAL</b>                            | 48                          | 192                          |                                                      |

- (1) The instructional materials include the Operations Manual, our training manuals, examinations, sample forms, and advertising and marketing materials.
- (2) Brad Bowman oversees all aspects of our training. Brad has worked in the restaurant industry for over 20 years. Brad is the founder of the Hickory River Smokehouse restaurant concept and opened the first Hickory River Smokehouse restaurant in January of 1995. Additional employees of ours or our franchisees who have experience in some facet of the operation of a Hickory River Smokehouse restaurant, may assist in training.

All training must be completed to our satisfaction by you or a Principal Owner of you, your Certified Manager (if you or a Principal Owner of you is not acting in that capacity) and 2 assistant managers. We may permit you to send additional members of your management staff to the training program, although we may condition our permission on payment of a reasonable tuition fee. You or a Principal Owner must attend and successfully complete training regardless of whether you hire an employee to act as a Certified Manager. Training lasts approximately 4 to 6 weeks.

Training will occur before your restaurant opens, at a training restaurant in Illinois or Ohio, or at another location we designate. You must pay for the salaries, fringe benefits, travel costs and expenses, and related costs for persons associated with you who attend the training program, but there is no separate fee for you and up to 3 other people to attend the initial training program, as training tuition is included in the Initial Franchise Fee. If you request that a new or additional Certified Manager or assistant manager attend training, you must pay our current training fee. All replacement managers must meet our applicable training requirements at the time of hire. If we train replacement managers, you must pay our then-current training fees. In addition, we may develop and require you to purchase an in-restaurant training program in order for you to comply with the training requirements. You must have a trained Certified Manager on staff at all times.

In addition to the 4 to 6 week training program described above, a Principal Owner or your Certified Manager (if you or a Principal Owner is not acting in that capacity) must complete "Manager-In-Position" training, which will take place at a Hickory River Smokehouse training restaurant that we designate. Manager-In-Position training consists of your Principal Owner or Certified Manager, as applicable, acting as an on-site manager of our training restaurant under the supervision of us or a Hickory River Smokehouse manager that we designate. You must pay for the salary, fringe benefits, travel costs and expenses, and related costs for your Principal Owner or Certified Manager to attend the Manager-In-Position training program, but there is no separate fee for the program.

We may require you to attend refresher training programs. We will not charge for these programs, but you must pay the travel and living expenses and supply costs for you and your employees. All replacement Certified Managers must successfully complete our training program at the time of hire.

## **ITEM 12** **TERRITORY**

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

You receive the right to operate a Hickory River Smokehouse restaurant at a specific location described in the Franchise Agreement. We will not, during the term of your franchise, operate or grant others the right to operate any other Hickory River Smokehouse restaurant within a specified geographic area (“Designated Area”), except as generally described in this Item 12 and more fully described in the Franchise Agreement (Franchise Agreement, Section 1D). Although we will not operate or franchise another Hickory River Smokehouse restaurant in your Designated Area, the Designated Area may overlap with the designated area of another franchisee. You may relocate your restaurant within the Designated Area provided that: (a) you give us 60 days’ prior written notice, (b) we approve your new location and (c) you are operating at your new location within 180 days of closing your previous location. Our criteria for approving new locations are the same as the site selection criteria we use to approve your initial restaurant location.

The criteria used for determining the boundaries of the Designated Area include: the population base; density of population; proximity to other retail establishments; growth trends of population; apparent degree of affluence of population; the density of residential and business entities; and major topographical features which clearly define contiguous areas, like rivers, mountains, major freeways, and underdeveloped land areas. We determine the Designated Area. A written description or a map attached to the Franchise Agreement describes the Designated Area.

We and our affiliates have the right outside of the Designated Area to grant other franchises or operate corporate owned Hickory River Smokehouse restaurants or offer, sell or distribute any products or services associated with the System under the Trademarks or any other trademarks or through any distribution channel or method, all without compensation to any franchisee; and (ii) we and our affiliates have the right to operate and franchise others to operate restaurants or any other business within and outside the Designated Area under trademarks other than the Hickory River Smokehouse Trademarks, without compensation to any franchisee.

Although we will not operate or franchise a Hickory River Smokehouse restaurant within the Designated Area, we and our affiliates have the right (directly or through or designated agent) to offer, sell or distribute, within the Designated Area, any sauces, pre-packaged or frozen items or other products or services associated with the System or identified by the Trademarks, or any other trademarks, without compensation to you or any franchisee, excluding only Menu Items that are cooked or prepared to be served to the customer for consumption at the retail location, catering and delivery. The distribution channels or methods that we may sell through include, without limitation, grocery stores, club stores, convenience stores, catalogues, wholesale sales or the internet. You are not permitted to offer or sell products or services through these distribution channels or methods either within or outside your Designated Area. We or an affiliate may begin distributing pre-packaged versions of our proprietary Hickory River Smokehouse® barbecue sauce(s) through grocery stores and other retail outlets in markets where Hickory River Smokehouse® restaurants are located, in 2019 or thereafter.

Special Sites are excluded from the Designated Area and we have the right, subject to our then-current Special Sites Impact Policy, to develop or franchise the following Special Site locations— (1) military bases; (2) public transportation facilities, including airports; (3) sports facilities, including race tracks; (4) student unions or other similar buildings on college or university campuses; (5) amusement and theme parks; (6) community and special events; and (7) any other venue with a captive market or audience.

You may not offer delivery services from your restaurant without our prior written approval. We and our affiliates will not engage in delivery services or catering services within the Designated Area. Although we do not encourage other franchisees to cater or deliver in another franchisee’s designated area, we have no obligation to enforce these prohibitions against any franchisee.

Continuation of your Designated Area does not depend on the achievement of a certain sales volume, market penetration or other contingency. You do not receive the right to acquire additional franchises within or outside of your Designated Area unless you sign another franchise agreement with us.

### **ITEM 13** **TRADEMARKS**

The Franchise Agreement licenses you to use the mark Hickory River Smokehouse, as well as other trademarks, service marks, trade names and commercial symbols (collectively, the “Marks”). We also claim common law trademark rights for all of the Marks. We have filed or intend to file all required affidavits and renewals for the Marks listed below.

| <b>PRINCIPAL<br/>TRADEMARK</b>                                                      | <b>Principal/Supplemental<br/>Register</b> | <b>REGISTRATION<br/>DATE</b> | <b>REGISTRATION<br/>NUMBER</b> | <b>STATUS</b> |
|-------------------------------------------------------------------------------------|--------------------------------------------|------------------------------|--------------------------------|---------------|
| Hickory River<br>Smokehouse                                                         | Principal                                  | July 6, 2004                 | 2,861,538                      | Registered    |
| Hickory River<br>Smokehouse                                                         | Principal                                  | October 18, 2016             | 5,063,931                      | Registered    |
|  | Principal                                  | December 13, 2016            | 5,099,170                      | Registered    |

The Franchise Agreement identifies the Marks that you are licensed to use, which will include the Hickory River Smokehouse® trademark and any other Marks that we authorize. As of the date of this disclosure document, the Marks listed in the Franchise Agreement are the same as those listed in the table above, although we have the right to change the authorized Marks from time to time. 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 upon expiration or termination of your Franchise Agreement. You are not permitted to make any changes or substitutions of any kind in or to the use of the Marks unless we direct in writing. You may not use the Marks as part of your business entity name. You may not use the Marks on your employment applications, employee evaluation forms, benefits statements, payroll checks or other documents or materials relating to your employees. We may change the System presently identified by the Marks including the adoption of new Marks, new Menu Items, new products, new equipment or new techniques and you must adopt the changes in the System, as if they were part of the Franchise Agreement at the time of its execution. You must comply within a reasonable time if we notify you to discontinue or modify your

use of any Mark. We will have no liability or obligation as to your modification or discontinuance of any Mark.

There are currently no effective material determinations by the United States 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 Marks. There are currently no agreements in effect that significantly limit our rights to use or license the use of any Marks in any manner material to the franchise. There are no infringing uses actually known to us that could materially affect your use of the Marks.

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 related to the Marks and we have the sole right to decide to pursue or settle any infringement actions related 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 must make the changes or substitutions at your own expense.

We may change the name of the franchise System and the franchise offered during the term of your franchise agreement. We have the right to require you to modify or discontinue use of any Hickory River Smokehouse Mark or to use one or more additional or substitute trade or service marks. In such case, you must comply with our directions to modify or discontinue the use of the Hickory River Smokehouse Mark or use one or more additional or substitute trade or service marks upon sixty days' notice from us. Such modification may include, without limitation, replacement of your restaurant signage. If we require you to change the name of your restaurant, we will reimburse you for your reasonable direct expenses in modifying or discontinuing the use of a Hickory River Smokehouse Mark and substituting a different trademark or service mark, up to a maximum of \$8,000. Your costs in substituting trademarks and/or replacing signage may exceed the amount that we are required to pay you. We may also require that you provide documentation of such direct expenses, prior to reimbursement. We are not obligated to reimburse you for any loss of goodwill associated with any modified or discontinued Hickory River Smokehouse trademark or for any expenditures made by you to promote a modified or substitute trademark or service mark.

#### **ITEM 14**

#### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

There are no patents or copyrights currently registered that are material to the franchise, although we do claim copyright ownership and protection for our Hickory River Smokehouse Franchise Agreement, secret recipes, our Operations Manual and for various sales promotional and other materials published from time to time.

There are no currently effective determinations of the Copyright Office (Library of Congress), United States Patent and Trademark Office, Board of Patent Appeals and Interferences, or any court, or any pending infringement, opposition or cancellation proceeding or any pending material litigation involving any patents or copyrights. There are currently no agreements in effect that significantly limit our rights to use or license the use of any patents or copyrights in any manner material to the franchise. There are no infringing uses actually known to us that could materially affect your use of the patents or copyrights.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of any patents or copyrights, or to participate in your defense or indemnify you. We reserve the right to control any litigation related to any patents and copyrights and we have the sole right to decide to pursue or settle any infringement actions related to the patents or copyrights. You must notify us promptly of any infringement or unauthorized use of the patents or copyrights of which you become aware.

You must keep confidential during and after the term of the Franchise Agreement all proprietary information, including the Operations Manual. Upon termination of your Franchise Agreement, you must return to us all proprietary information, including but not limited to the Operations Manual and all other copyrighted material. You must notify us immediately if you learn about an unauthorized use of proprietary information. We are not obligated to take any action and we have the sole right to decide the appropriate response to any unauthorized use of proprietary information. You must comply with all changes to our manuals, at your cost.

#### **ITEM 15**

#### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

A Principal Owner is any person who directly or indirectly owns a 10% or greater interest in the franchisee when the franchisee is a corporation, limited liability company or a similar entity other than a partnership entity. If the franchisee is a partnership entity, then each general partner is a Principal Owner, regardless of his or her percentage ownership interest. If the franchisee is one or more individuals, each individual is a Principal Owner. (See Section 1.C of the Franchise Agreement located at Exhibit C to this disclosure document.) Principal Owners must sign a Personal Guarantee, agreeing to be personally bound to the terms of the Franchise Agreement. A copy of the Personal Guarantee is included as part of the Franchise Agreement (see Exhibit C to this disclosure document).

During the term of the Franchise Agreement, you must at all times have at least one Certified Manager(s) for your restaurant. Your Certified Manager must be an individual who: (a) devotes his or her full time and best efforts to the on-premises, day-to-day management of the restaurant, (b) has the authority to actively direct your business affairs regarding the restaurant, (c) is responsible for overseeing the general management of the restaurant, and (d) has the authority to sign all contracts. Certified Managers may be, but are not required to be, “Principal Owners.” Certified Managers need not have any equity interest in the franchisee entity. The use of a Certified Manager in no way relieves you of your obligations to comply with the Franchise Agreement, to ensure that the restaurant is properly operated, and to attend training. At least one Certified Manager must be present at and actively supervising the operation of the restaurant at any time it is open for business. A Principal Owner or Certified Manager must be available to us at all times.

You or your Principal Owner, your Certified Manager (if a Principal Owner is not acting in that capacity), and 2 assistant managers must complete our training program. If any of the training attendees associated with your restaurant fail to satisfactorily complete the training program, you may designate a different individual.

All shareholders, officers, directors, partners, members and all managers and other employees having access to our proprietary information must execute non-disclosure agreements in a form we accept. If we so require, your managers and supervisory personnel and other employees receiving training from us must execute covenants not to compete in a form that we approve.

#### **ITEM 16**

#### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must comply with our requirements for approved supplies and suppliers. You must offer for sale at the restaurant all of the Menu Items and food and beverage products that we periodically require and you may not offer at the restaurant any unapproved products or menu items or use the premises for any purpose other than the operation of a restaurant. You must exclusively use the proprietary sauce(s) that we

designate for Hickory River Smokehouse restaurants, which are supplied only by us or our designated supplier. We have the unlimited right to change the types of authorized products and services you may offer.

You must not install or maintain on the premises of the restaurant any newspaper racks, video games, jukeboxes, gaming machines, gum machines, games, rides, vending machines, pool tables, automated teller machines or other similar devices without our prior written approval.

You may not offer delivery services without our prior written approval. You also may not offer for sale any Menu Items or other Products through the internet or other online programming or advertising. You are not otherwise limited in the customers to whom you may sell products or services.

## ITEM 17 **RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

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

### **THE FRANCHISE RELATIONSHIP**

| <b>Provision</b> |                                         | <b>Section in Franchise Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                    |
|------------------|-----------------------------------------|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a.               | Length of the franchise term            | Section 4A                            | Expires 10 years from the date the Restaurant opens                                                                                                                                                                                                                                                                                                               |
| b.               | Renewal or extension of the term        | Section 4B                            | Renewal for one additional term of 10 years                                                                                                                                                                                                                                                                                                                       |
| c.               | Requirements for you to renew or extend | Section 4B                            | You must be in good standing under the Franchise Agreement, give timely notice of election to renew, sign a general release, pay the renewal fee, complete then-current training and sign our then-current form Franchise Agreement, which may contain materially different terms and conditions than your original franchise agreement.                          |
| d.               | Termination by you                      | Section 13C                           | You may terminate the Franchise Agreement only for a material breach by us, provided you give us written notice of the breach and allow 30 days to cure such breach and, if not cured, wait 60 days from the original notice of breach before terminating the Franchise Agreement.                                                                                |
| e.               | Termination by us without cause         | Not applicable                        | Not applicable                                                                                                                                                                                                                                                                                                                                                    |
| f.               | Termination by us with cause            | Sections 13A and B                    | We can terminate the Franchise Agreement only if you default or fail to comply with your obligations.                                                                                                                                                                                                                                                             |
| g.               | “Cause” defined – curable defaults      | Sections 13A and B                    | You have 10 days to cure the non-submission of reports and non-payment of amounts due and owing; and 30 days to cure defaults for the failure to abide by our standards and requirements in connection with the operation of your business, or failure to meet any requirements or specifications established by us, and any other default not listed in h below. |

| Provision                                                                 | Section in Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------------------------------------------------------|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| h. “Cause” defined - non-curable defaults                                 | Sections 13A and B             | Non-curable defaults include: abandonment, loss or revocation of alcoholic beverage license (or multiple suspensions), loss of lease, the failure to timely cure a default under the lease, the loss of your right of possession or failure to relocate, closing of restaurant, insolvency, unapproved assignments or transfers, convictions, intentionally understating or underreporting Gross Sales or other fees, multiple defaults, or failure to cure within 24 hours of notice a default which materially impairs the goodwill associated with any of our Marks. |
| i. Your obligations on termination/non-renewal                            | Sections 14A-C                 | Obligations include complete de-identification and payment of amounts due, assignment of lease upon our demand and telephone numbers, return of Operations Manual and proprietary materials and right to purchase assets of the restaurant (also see o and r below).                                                                                                                                                                                                                                                                                                    |
| j. Assignment of contract by us                                           | Section 11G                    | No restriction on our right to assign                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| k. “Transfer” by you - defined                                            | Section 11A                    | Includes any transfer of your interest in the Franchise Agreement or in the business or any ownership change in the franchisee.                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| l. Our approval of transfer by you                                        | Section 11B                    | We have the right to approve all transfers but will not unreasonably withhold approval.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| m. Conditions for our approval of transfer                                | Sections 11B-D                 | Transferee meets all of our then-current requirements for one of the programs then being offered, transfer fee paid, all amounts owed by prior franchisee paid, required modernization is completed, training completed, required guarantees signed, necessary financial reports and other data on franchise business is prepared, transferee assumes all of your obligations or, at our option, signs a new franchise agreement with us, and you sign a general release (also see r below).                                                                            |
| n. Our right of first refusal to acquire your business                    | Section 11F                    | We can match any offer for your restaurant assets. In the case of a proposed stock sale, we can purchase your restaurant assets at a price determined by an appraiser, unless you and we agree otherwise.                                                                                                                                                                                                                                                                                                                                                               |
| o. Our option to purchase your business                                   | Section 14B                    | Upon termination, we have the right to purchase or designate a third party that will purchase all or any portion of the assets of your restaurant, including the land, building, equipment, fixtures, signs, furnishings, supplies, leasehold improvements, alcoholic beverage license and inventory. Qualified appraiser(s) will determine price as described in the Franchise Agreement.                                                                                                                                                                              |
| p. Your death or disability                                               | Section 11E                    | You can transfer your franchise right to your heir or successor in interest like any other transfer, but if assignee is your spouse or child, no transfer fee is required.                                                                                                                                                                                                                                                                                                                                                                                              |
| q. Non-competition covenants during the term of the franchise             | Section 10D                    | No direct or indirect involvement in the operation of any restaurant or food business other than one authorized in the Franchise Agreement (with an exception for existing business other than casual or fast casual restaurant).                                                                                                                                                                                                                                                                                                                                       |
| r. Non-competition covenants after the franchise is terminated or expires | Section 10D                    | No direct or indirect involvement in a competing business for 2 years (i) at the premises of the former restaurant (ii) within 5 miles of the former restaurant or (iii) within 5 miles of any other business or restaurant using the System.                                                                                                                                                                                                                                                                                                                           |
| s. Modification of the Agreement                                          | Section 15B                    | No modifications generally, but we have the right to change the Operations Manual, list of authorized trademarks and menu.                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| t. Integration/ merger clause                                             | Section 15B                    | Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises may not be enforceable.                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| u. Dispute resolution by arbitration or mediation                         | Section 12                     | Except for certain claims, all disputes must be arbitrated in Okaloosa County, Florida (subject to state law).                                                                                                                                                                                                                                                                                                                                                                                                                                                          |



| Provision          | Section in Franchise Agreement | Summary                                                                                                                                                                                                                                                                  |
|--------------------|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| v. Choice of forum | Section 15I                    | All litigation must be in U.S. District Court for Northern District of Florida (Pensacola Division) or state courts located in Okaloosa County, Florida (subject to state law), except that we may enforce our trademark rights in any court with jurisdiction over you. |
| w. Choice of law   | Section 15H                    | Applicable law is that of the state where your business is located (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 this 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.

Unless otherwise indicated, the financial information in this Item was compiled from six franchised Hickory River Smokehouse® Restaurants open for the entire fiscal years ended December 31, 2023, and from five franchised Restaurants open for the entire fiscal year ended December 31, 2022. Our auditors have not performed any procedures on the financial information in this Item, and assume no responsibility for the information. The following table shows the average and median annual revenues for the franchised Hickory River Smokehouse® Restaurants open and operating during the entire years included in this Item.

|                                                                                                                                                                                                   |           |           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| 2023 and 2022 Calendar Year Sales for six franchised locations operating in 2023 and five franchised locations operating in 2022. There are no franchisor or affiliate owned locations currently. |           |           |
| All locations are mature locations open for multiple years.                                                                                                                                       |           |           |
|                                                                                                                                                                                                   | 2023      | 2022      |
| Average Revenue                                                                                                                                                                                   | 1,739,574 | 1,673,603 |
| Median Revenue                                                                                                                                                                                    | 1,537,855 | 1,340,756 |
|                                                                                                                                                                                                   |           |           |
| Range Low                                                                                                                                                                                         | 929,190   | 898,224   |
| Range High                                                                                                                                                                                        | 2,860,001 | 2,659,587 |
|                                                                                                                                                                                                   |           |           |
| Number of locations over average                                                                                                                                                                  | 2         | 2         |
| Percentage of locations over average                                                                                                                                                              | 33%       | 40%       |
| Number of Locations under average                                                                                                                                                                 | 4         | 3         |
| Percentage of locations under average                                                                                                                                                             | 67%       | 60%       |

The revenue figures contained in this Item do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted to obtain your net income or profit. You should conduct an

independent investigation of the costs and expenses you will incur in operating your franchised Hickory River Smokehouse® Restaurant. The franchisees listed in Exhibit D of this Disclosure Document may be one source of this information.

This information is provided as reference information only for your use with other information. We urge you to consult with your financial, business, tax, accounting and legal advisors about the information contained in this Item.

We will provide written substantiation of the data used to prepare the information contained in this Item upon your reasonable request.

Other than the above financial performance representation, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Brad Bowman, 117 Lisa Marie Place, Shalimar, FL 32579 (937) 765-2404, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**  
**HICKORY RIVER SMOKEHOUSE RESTAURANTS**

**System-Wide Outlet Summary**  
**For years 2021 to 2023**  
**(Hickory River Smokehouse Restaurants)**

| Outlet Type   | Year* | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---------------|-------|----------------------------------|--------------------------------|------------|
| Franchised    | 2021  | 5                                | 5                              | 0          |
|               | 2022  | 5                                | 6                              | +1         |
|               | 2023  | 6                                | 6                              | 0          |
| Company-Owned | 2021  | 0                                | 0                              | 0          |
|               | 2022  | 0                                | 0                              | 0          |
|               | 2023  | 0                                | 0                              | 0          |
| Total Outlets | 2021  | 5                                | 5                              | 0          |
|               | 2022  | 5                                | 6                              | +1         |
|               | 2023  | 6                                | 6                              | 0          |

\* All numbers are as of our fiscal year end for each fiscal year. Our fiscal year ends on the last Sunday of each calendar year.

**Transfers of Outlets From Franchisee  
to New Owners (Other than the Franchisor)  
For years 2021 to 2023  
(Hickory River Smokehouse Restaurants)**

| State                         | Year(1) | Number of Transfers |
|-------------------------------|---------|---------------------|
| <b>TOTAL<br/>(All States)</b> | 2021    | 0                   |
|                               | 2022    | 0                   |
|                               | 2023    | 0                   |

**Status of Franchised Outlets  
For years 2021 to 2023  
(Hickory River Smokehouse Restaurants)**

| State           | Year | Outlets at the Start of the Year* | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations / Other Reasons | Outlets at the End of the Year |
|-----------------|------|-----------------------------------|----------------|--------------|--------------|--------------------------|-----------------------------------|--------------------------------|
| <b>Illinois</b> | 2021 | 4                                 | 0              | 0            | 0            | 0                        | 0                                 | 4                              |
|                 | 2022 | 4                                 | 1              | 0            | 0            | 0                        | 0                                 | 5                              |
|                 | 2023 | 5                                 | 0              | 0            | 0            | 0                        | 0                                 | 5                              |
| <b>Ohio</b>     | 2021 | 1                                 | 0              | 0            | 0            | 0                        | 0                                 | 1                              |
|                 | 2022 | 1                                 | 0              | 0            | 0            | 0                        | 0                                 | 1                              |
|                 | 2023 | 1                                 | 0              | 0            | 0            | 0                        | 0                                 | 1                              |
| <b>TOTAL</b>    | 2021 | 5                                 | 0              | 0            | 0            | 0                        | 0                                 | 5                              |
|                 | 2022 | 5                                 | 1              | 0            | 0            | 0                        | 0                                 | 6                              |
|                 | 2023 | 6                                 | 0              | 0            | 0            | 0                        | 0                                 | 6                              |

\* All numbers are as of our fiscal year end for each fiscal year. Our fiscal year ends on the last Sunday of each calendar year.

**Status of Company-Owned Outlets  
For years 2021 to 2023  
(Hickory River Smokehouse Restaurants)**

| State        | Year | Outlets at the Start of the Year* | Outlets Opened | Outlets Re-acquired From Franchisees | Outlets Closed | Outlets Sold to Franchisees | Outlets at the End of the Year |
|--------------|------|-----------------------------------|----------------|--------------------------------------|----------------|-----------------------------|--------------------------------|
|              | 2021 | 0                                 | 0              | 0                                    | 0              | 0                           | 0                              |
|              | 2022 | 0                                 | 0              | 0                                    | 0              | 0                           | 0                              |
|              | 2023 | 0                                 |                |                                      |                |                             |                                |
| <b>TOTAL</b> | 2021 | 0                                 | 0              | 0                                    | 0              | 0                           | 0                              |
|              | 2022 | 0                                 | 0              | 0                                    | 0              | 0                           | 0                              |
|              | 2023 | 0                                 | 0              | 0                                    | 0              | 0                           | 0                              |

\* All numbers are as of our fiscal year end for each fiscal year. Our fiscal year ends on the last Sunday of each calendar year.

Other than as described above in this Item 20, as of December 31, 2023, neither we nor any other affiliate has offered franchises, nor owned and operated, any businesses that are substantially similar to the restaurant being franchised.

**Projected Openings  
As of December 31, 2023  
(Hickory River Smokehouse Restaurants)**

| State        | Franchise Agreements<br>Signed But Outlet Not<br>Opened | Projected New<br>Franchised Outlets in<br>the Next Fiscal Year | Projected New Company-<br>Owned Outlets in the Next<br>Year |
|--------------|---------------------------------------------------------|----------------------------------------------------------------|-------------------------------------------------------------|
| <b>TOTAL</b> | 0                                                       | 0                                                              | 0                                                           |

Included in this disclosure document as Exhibit D is a list of the operational franchised and company-owned Hickory River Smokehouse restaurants as of December 31, 2023. The following is a list containing the last known contact information for each franchisee that a franchise terminated, canceled, or not renewed, or otherwise voluntarily or involuntarily ceased to do business under, a franchise agreement during our 2023 fiscal year:

None.

No restaurant has failed to communicate with us within 10 weeks of the date of this disclosure document.

No restaurant has ever signed a confidentiality agreement or confidentiality clause that would restrict its ability to speak openly about its experience with us. However, the Franchise Agreement requires franchisees to keep confidential our Operations Manual and other proprietary and trade secret information. We also require franchise applicants to sign a confidentiality and non-disclosure undertaking, which similarly requires applicants to keep confidential any proprietary and trade secret information to which they are exposed.

If you buy a Hickory River Smokehouse restaurant, your contact information may be disclosed to other buyers when you leave the franchise system.

**ITEM 21  
FINANCIAL STATEMENTS**

The following audited financial statements of Hickory River Smokehouse, Inc. are included in this disclosure document as Exhibit B: balance sheets of Hickory River Smokehouse, Inc. and related statements of income, statement of stockholder's equity and statement of cash flows, together with the independent auditor's report, as of December 31, 2023, December 31, 2022, and December 31, 2021.

**ITEM 22  
CONTRACTS**

This disclosure document includes a sample of the following contracts:

Exhibit C - Franchise Agreement (including Appendices)  
Exhibit F - Receipts

**ITEM 23  
RECEIPTS**

Attached to this disclosure document as Exhibit F is a detachable acknowledgment of receipt.

ADDENDUM TO HICKORY RIVER SMOKEHOUSE, INC.  
DISCLOSURE DOCUMENT FOR THE STATE OF ILLINOIS

The following information applies to franchises and franchisees subject to the Illinois Franchise Disclosure Act of 1987.

1. Illinois law governs the Franchise Agreement(s).
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. Payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations and franchisee is open for business. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

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.

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**EXHIBIT A**  
**List of State Agencies and Agents for Service of Process**

| STATE                             | STATE ADMINISTRATOR/AGENT                                                                                                              | ADDRESS                                                                                                                    |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| California                        | Commissioner of Financial Protection and Innovation<br>California Department of Financial Protection and Innovation                    | 320 West 4 <sup>th</sup> Street, Suite 750<br>Los Angeles, CA 90013-2344<br>1-866-275-2677                                 |
| Hawaii<br>(State Administrator)   | Commissioner of Securities<br>Dept. of Commerce and Consumer Affairs<br>Business Registration Division<br>Securities Compliance Branch | 335 Merchant Street<br>Room 203<br>Honolulu, HI 96813                                                                      |
| Illinois                          | Illinois Attorney General                                                                                                              | 500 South Second Street<br>Springfield, IL 62706                                                                           |
| Indiana<br>(State Administrator)  | Indiana Securities Commissioner<br>Securities Division                                                                                 | 302 West Washington Street, Room E111<br>Indianapolis, IN 46204                                                            |
| Indiana<br>(Agent)                | Indiana Secretary of State                                                                                                             | 302 West Washington Street, Room E018<br>Indianapolis, IN 46204                                                            |
| Maryland<br>(State Administrator) | Office of the Attorney General<br>Division of Securities                                                                               | 200 St. Paul Place<br>Baltimore, MD 21202-2020                                                                             |
| Maryland<br>(Agent)               | Maryland Securities Commissioner                                                                                                       | 200 St. Paul Place<br>Baltimore, MD 21202-2020                                                                             |
| Michigan                          | Michigan Department of Attorney General<br>Consumer Protection Division                                                                | G. Mennen Williams Building, 1 <sup>st</sup> Floor<br>525 West Ottawa Street<br>Lansing, MI 48933                          |
| Minnesota                         | Commissioner of Commerce<br>Minnesota Department of Commerce                                                                           | 85 7 <sup>th</sup> Place East, Suite 280<br>St. Paul, MN 55101-2198                                                        |
| New York<br>(State Administrator) | Office of the New York State Attorney General<br>Investor Protection Bureau, Franchise Section                                         | 28 Liberty Street, 21st Floor<br>New York, NY 10005<br>212-416-8236                                                        |
| New York<br>(Agent)               | New York Department of State                                                                                                           | One Commerce Plaza<br>99 Washington Avenue, 6th Floor<br>Albany, NY 12231-0001<br>518-473-2492                             |
| North Dakota                      | Securities Commissioner<br>North Dakota Securities Department                                                                          | 600 East Boulevard Avenue<br>State Capitol, Fifth Floor, Dept. 414<br>Bismarck, ND 58505-0510                              |
| Rhode Island                      | Director, Department of Business Regulation,<br>Securities Division                                                                    | 1511 Pontiac Avenue<br>John O. Pastore Complex – Building 68-2<br>Cranston, RI 02920                                       |
| South Dakota                      | Department of Labor and Regulation<br>Division of Insurance – Securities Regulation                                                    | 124 S. Euclid, Suite 104<br>Pierre, SD 57501                                                                               |
| Virginia<br>(State Administrator) | State Corporation Commission<br>Division of Securities and Retail Franchising                                                          | 1300 East Main Street, 9 <sup>th</sup> Floor<br>Richmond, VA 23219<br>804-371-9051                                         |
| Virginia<br>(Agent)               | Clerk of the State Corporation Commission                                                                                              | 1300 East Main Street, 1st Floor<br>Richmond, VA 23219-3630                                                                |
| Washington                        | Department of Financial Institutions<br>Securities Division                                                                            | 150 Israel Road SW<br>Tumwater, WA 98501<br>360-902-8760                                                                   |
| Wisconsin                         | Commissioner of Securities                                                                                                             | Department of Financial Institutions<br>Division of Securities<br>4822 Madison Yards Way, North Tower<br>Madison, WI 53705 |

## **EXHIBIT B**

### Financial Statements

**HICKORY RIVER SMOKEHOUSE, INC.**  
**SHALIMAR, FLORIDA**

**FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023**

**TOGETHER WITH**  
**INDEPENDENT AUDITORS' REPORT**



**HICKORY RIVER SMOKEHOUSE, INC.**  
**YEAR ENDED DECEMBER 31, 2023**  
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# Manning & Associates

## Certified Public Accountants, LLC

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

### INDEPENDENT AUDITORS' REPORT

To the Board of Directors and the Stockholders of  
Hickory River Smokehouse, Inc.  
Shalimar, Florida

#### Opinion

We have audited the accompanying financial statements of Hickory River Smokehouse, Inc. (an Illinois Corporation) which comprise the balance sheet as of December 31, 2023, and the related statements of income, stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hickory River Smokehouse, Inc. as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audit 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 Hickory River Smokehouse, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of Management for the Financial Statements

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

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

To the Board of Directors and the Stockholders of  
Hickory River Smokehouse, Inc.  
Independent Auditors' Report

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the 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 judgement 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 Hickory River Smokehouse, Inc.'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hickory River Smokehouse, Inc.'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.

Manning &  
Associates CPAs, LLC  
Manning & Associates CPAs, LLC  
Dayton, Ohio

Digitally signed by Manning &  
Associates CPAs, LLC  
Date: 2024.04.25 16:56:14 -04'00'

April 24, 2024

**HICKORY RIVER SMOKEHOUSE, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2023**

ASSETS

CURRENT ASSETS

|                                                  |                   |
|--------------------------------------------------|-------------------|
| Cash                                             | \$ 264,581        |
| Receivables                                      |                   |
| Current Portion of Affiliate Receivable          | 24,000            |
| Current Portion of Note Receivable - Stockholder | 10,100            |
| Stockholders Receivable                          | 84,578            |
| Prepaid Other                                    | 10,398            |
| Marketable Securities - Available for Sale       | 311,439           |
| TOTAL CURRENT ASSETS                             | <u>\$ 705,096</u> |

PROPERTY AND EQUIPMENT

|           |                  |
|-----------|------------------|
| Equipment | <u>\$ 50,127</u> |
|-----------|------------------|

|                                              |                  |
|----------------------------------------------|------------------|
| AFFILIATE RECEIVABLE, NET OF CURRENT PORTION | <u>\$ 59,068</u> |
|----------------------------------------------|------------------|

|                               |                   |
|-------------------------------|-------------------|
| NOTE RECEIVABLE, STOCK HOLDER | <u>\$ 146,134</u> |
|-------------------------------|-------------------|

|              |                          |
|--------------|--------------------------|
| TOTAL ASSETS | <u><u>\$ 960,425</u></u> |
|--------------|--------------------------|

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

|                                      |                   |
|--------------------------------------|-------------------|
| Accounts Payable                     | \$ 9,703          |
| Current Portion of Installment Loans | 7,690             |
| Benefit Plan Payable                 | 62,000            |
| Gift Card Liability                  | 22,267            |
| Income Tax Payable                   | 5,711             |
| Marketing Deposits-Franchisees       | 533,353           |
| TOTAL CURRENT LIABILITIES            | <u>\$ 640,724</u> |

LONG TERM LIABILITIES

|                                           |                  |
|-------------------------------------------|------------------|
| Deferred Income Taxes                     | \$ 10,420        |
| Installment Loans, Net of Current Portion | 41,104           |
| TOTAL LONG TERM LIABILITIES               | <u>\$ 51,524</u> |

STOCKHOLDERS' EQUITY

|                                                                                            |                          |
|--------------------------------------------------------------------------------------------|--------------------------|
| Common Stock, No Par Value, 10,000 Shares Authorized,<br>100 Shares Issued and Outstanding | \$ 100,000               |
| Retained Earnings                                                                          | 168,177                  |
| TOTAL STOCKHOLDERS' EQUITY                                                                 | <u>\$ 268,177</u>        |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY                                                 | <u><u>\$ 960,425</u></u> |

The Accompanying Notes are an Integral Part of the Financial Statements.

**HICKORY RIVER SMOKEHOUSE, INC.**  
**STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

|                               |                         |
|-------------------------------|-------------------------|
| Revenue                       |                         |
| Continuing Franchise Fees     | \$ 389,540              |
| Marketing Fees                | 136,748                 |
| Rebates, Suppliers            | 108,889                 |
| Other                         | <u>37,351</u>           |
| Total Revenue                 | <u>\$ 672,528</u>       |
| Operating Expenses            |                         |
| Payroll and Related Expenses  | \$ 359,784              |
| Marketing and Advertising     | 147,135                 |
| Professional Services         | 25,694                  |
| Meals and Travel              | 18,788                  |
| Auto Expense                  | 17,693                  |
| Office                        | 14,237                  |
| Depreciation                  | 10,410                  |
| Insurance                     | <u>8,470</u>            |
| Total Operating Expenses      | <u>\$ 602,211</u>       |
| Income (loss) From Operations | \$ 70,317               |
| Other Income                  |                         |
| Investment Return             | <u>29,780</u>           |
| INCOME BEFORE INCOME TAXES    | \$ 100,097              |
| INCOME TAX BENEFIT (EXPENSE)  | <u>(18,000)</u>         |
| NET INCOME                    | <u><u>\$ 82,097</u></u> |

The Accompanying Notes are an Integral Part of the Financial Statements.

**HICKORY RIVER SMOKEHOUSE, INC.**  
**STATEMENT OF STOCKHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

|                               | <u>Common<br/>Stock</u>  | <u>Retained<br/>Earnings<br/>(Deficit)</u> | <u>Total<br/>Stockholders<br/>Equity</u> |
|-------------------------------|--------------------------|--------------------------------------------|------------------------------------------|
| Balance at January 1, 2023    | \$ 100,000               | \$ 86,080                                  | \$ 186,080                               |
| Net Income                    |                          | 82,097                                     | 82,097                                   |
| Balance at December 31, 20223 | \$ <u><u>100,000</u></u> | \$ <u><u>168,177</u></u>                   | \$ <u><u>268,177</u></u>                 |

The Accompanying Notes are an Integral Part of the Financial Statements.

**HICKORY RIVER SMOKEHOUSE, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

|                                                         |                          |
|---------------------------------------------------------|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>             |                          |
| Net Income                                              | \$ 82,097                |
| Adjustments to Reconcile Net Income to Net Cash         |                          |
| Provided by Operating Activities:                       |                          |
| Realized Gain - Investments                             | 30                       |
| Unrealized Gain - Investment                            | 21,097                   |
| Gain on Sale of Equipment                               | 16,184                   |
| Depreciation                                            | 10,410                   |
| Deferred Income Tax                                     | 10,000                   |
| (Increase) Decrease in Assets:                          |                          |
| Prepaid Other                                           | 4,582                    |
| Increase (Decrease) in Liabilities                      |                          |
| Gift Cards Liability                                    | 1,351                    |
| Marketing Deposit-Franchisees                           | 63,573                   |
| Income Tax Payable                                      | (4,938)                  |
| Accounts Payable                                        | 6,945                    |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b> | <b>\$ 211,331</b>        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>             |                          |
| Repayment From Stockholder Note Receivable              | \$ 9,899                 |
| Repayment From Affiliate Receivable                     | 24,075                   |
| Purchase of Investments                                 | (171,399)                |
| Increase in Receivable - Stockholders                   | (38,764)                 |
| Purchase Equipment                                      | (42,154)                 |
| Sale of Investments                                     | 1,597                    |
| Sale of Equipment                                       | 38,500                   |
| <b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b> | <b>\$ (178,246)</b>      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>             |                          |
| Installment Loan Payments                               | \$ (35,614)              |
| Installment Loan                                        | 53,080                   |
| <b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b> | <b>\$ 17,466</b>         |
| <b>NET INCREASE (DECREASE) IN CASH</b>                  | <b>\$ (50,551)</b>       |
| Cash, January 1, 2023                                   | 315,132                  |
| Cash, December 31, 2023                                 | <u><u>\$ 264,581</u></u> |
| <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>               |                          |
| Cash Paid During the Year for Interest                  | \$ 1,870                 |
| Cash Paid During the Year for Taxes                     | <u><u>\$ 9,003</u></u>   |

The Accompanying Notes are an Integral Part of the Financial Statements.

**HICKORY RIVER SMOKEHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE 1 – DESCRIPTION OF COMPANY AND SUMMARY OF  
SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Organization***

Hickory River Smokehouse, Inc. (the Company), incorporated in Illinois on February 26, 2003, has registered with a number of states as a franchisor. The Company licenses the rights to the Hickory River Smokehouse<sup>SM</sup> name and sells and services the restaurant franchises.

***Basis of Presentation***

The accounting and reporting policies of the Company conform with accounting principles generally accepted in the United States of America (“GAAP”) as contained in the Accounting Standards Codification (“ASC”) issued by the Financial Accounting Standards Board (“FASB”) and with general practices within the franchise industry. The following is a summary of the significant accounting policies.

***Use of Estimates***

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the accompanying statement of financial position and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses in the accompanying during statement activities during the reporting period. The Company’s actual results could differ materially from those estimates.

***Accounts Receivable and Allowance for Doubtful Accounts***

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. The allowance for doubtful accounts involves estimates based on management’s judgment, review of individual receivables and analysis of historical bad debts. The Company adjusts customer credit limits based upon each customer’s credit worthiness. The Company monitors collections and payments from its customers and maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Company’s customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. At December 31, 2023, there was no allowance for doubtful accounts.

***Property and Equipment***

Property and equipment purchased by the Company are recorded at cost. Depreciation is calculated using accelerated depreciation methods over the estimated useful lives of the assets.

***Advertising / Marketing***

The Company expenses advertising and marketing costs as they are incurred. Advertising and marketing cost was \$147,135 during the year ended December 31, 2023 (see Note 10).



**HICKORY RIVER SMOKEHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE 1 – DESCRIPTION OF COMPANY AND SUMMARY OF  
SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Income Taxes***

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences in asset and liability bases relate to the use of depreciable assets (use of different depreciation methods for financial statements and income tax purposes). The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Deferred tax assets are also recognized for operating losses, contribution carryforwards and tax credits that are available to offset future taxable income. Valuation allowances are provided for deferred tax assets based on management's projection of the sufficiency of future taxable income to realize the assets.

The Company is required to recognize, measure, classify, and disclose in the financial statements uncertain tax positions taken or expected to be taken in the Company's tax returns. Management has determined that the Company does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company will not be subject to additional tax, penalties, and interest as a result of such challenge.

Penalties and interest assessed by income taxing authorities would be included in operating expenses.

***Fair Value of Financial Instruments***

The Company's financial instruments consist primarily of cash, accounts receivable, accounts payable and a debt installment. The carrying values of financial instruments are representative of their fair values due to their short-term maturities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

***Revenue Recognition***

Substantially all of the Company's revenue contract is with franchisees. Continuing franchise fees are recognized when earned on franchisees restaurant sales in real time. Marketing fees are received from franchisees on their sales and recorded in real time as marketing deposits-franchisees. These fees are recognized as revenue when the Company provides marketing for the franchisees. Rebates from suppliers are recognized as revenue when received. Revenue from sales of individual franchises contract is recognized when substantially all significant initial services to be provided by the company have been performed. Refer to note 2.

**HICKORY RIVER SMOKEHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE 1 – DESCRIPTION OF COMPANY AND SUMMARY OF  
SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Subsequent Events***

The Company evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through April 24, 2024, which is the date the financial statements were available to be issued.

***Cash and Cash Equivalents***

Cash includes amounts in financial institutions. For purposes of the statement of cash flows, the Company considers all short-term instruments purchased with maturity of three months or less to be cash equivalents. There are no cash equivalents at December 31, 2023.

***Impairment of Long-Lived assets***

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to the carrying amount. If the operation is determined to be unable to recover the carrying amount of its assets, then assets are written down first, followed by other long-lived assets of the operation to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. As of December 31, 2023, there were no impairment losses recognized for long-lived assets.

**NOTE 2 – REVENUE FROM CONTRACTS**

On January 1, 2019, the Company adopted the New Revenue Standard (“Topic 606”).

***Disaggregated revenue***

Under Topic 606, the Company disaggregates net revenue consistent with the distribution of the Company’s net revenue by the following product groups:

- Continuing Franchise Fees. This revenue represents almost 58% of total revenue in the year ended December 31, 2023.
- Marketing Fees. This revenue represents almost 20% of total revenue in the year ended December 31, 2023.
- Rebates Suppliers. This revenue represents almost 16% of total revenue in the year ended December 31, 2023.
- Gift Card Liability. The receipt of these funds are not considered revenue because the Company holds these funds until the franchisees advise the Company of amount of gift certificates honored and Company remits funds to the franchisee for requested amount.

**HICKORY RIVER SMOKEHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE 2 – REVENUE FROM CONTRACTS (continued)**

***Disaggregated revenue (continued)***

Franchisees are assessed franchise fees and marketing fees at the rate of 4% and 3%, respectively, (Fees) of restaurant sales. These fees are remitted at days end electronically to a third-party service provider (Provider). Upon receipt of the fees the third provider summarizes fee by franchisee and fee class and periodically remits to the Company electronically at which times the fees are recorded. At December 31, 2023 all fees had been recorded for the year ended December 31, 2023 and \$39,532 in fees received by provider were in transit at December 31, 2023.

Rebates received from supplies are recorded when funds are received by the Company.

Gift cards receipts received from franchisees and other retail establishments are recorded as a liability when funds are received by the Company

***Reconciliation of contract balances***

Contract assets are the rights to consideration in exchange for goods or services that the Company has transferred to a franchisee and/or supplier when that right is conditional on something other than the passage of time. Contract liabilities are recorded for any services not yet recognizable if the contract period has commenced or for the amount collected from franchisees in advance of the contract period commencing. As of December 31, 2023, the Company had no contract assets and \$533,353 contract liabilities, (marketing deposits-franchisees and gift cards liability) from contract with franchisees.

**NOTE 3 – RELATED-PARTY NOTE RECEIVABLE AND RELATED-PARTY TRANSACTIONS**

**A. Related Party**

- a) The Company utilizes a related marketing agency and paid this agency \$132,204 in fees during the year ended December 31, 2023. Effective January 1, 2024, this agency was sold to outside party and accordingly, these fees in the future will not be considered payments to a related party (see note 10).

**B. Receivable-Stockholders**

Amounts due from stockholders at December 31, 2023 was \$84,578.

**HICKORY RIVER SMOKEHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE 3 – RELATED-PARTY NOTE RECEIVABLE AND RELATED-PARTY  
TRANSACTIONS (continued)**

C. Note Receivable Stockholder

During 2022, the Company loaned \$170,000 to a Stockholder. The Stockholder and Company has established an agreement whereby the Stockholder pays \$1,093 monthly and interest at a rate of 2% per annum. The balance at December 31, 2023 was \$156,234.

Note receivable Stockholder has the following maturities at December 31, 2023:

| Year Ended<br>December 31, | Principal         |
|----------------------------|-------------------|
| 2024                       | \$ 10,100         |
| 2025                       | 10,300            |
| 2026                       | 10,500            |
| 2027                       | 10,700            |
| 2028                       | <u>114,634</u>    |
| Thereafter                 | <u>\$ 156,234</u> |

D. Affiliate Receivable

At December 31, 2023, the Company had advanced funds of \$83,668 to an affiliate. The affiliate and Company have established an agreement whereby the affiliate pays \$1,000 bi-weekly and interest at the rate of 1% per annum is calculated yearly on the unpaid principal balance.

Affiliate receivable has the following maturities at December 31, 2022:

| <u>Year Ended<br/>December 31,</u> | <u>Principal</u> |
|------------------------------------|------------------|
| 2024                               | \$ 24,000        |
| 2025                               | 24,000           |
| 2026                               | 24,000           |
| 2027                               | <u>11,068</u>    |
|                                    | <u>\$ 83,068</u> |

**HICKORY RIVER SMOKEHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE 4 – PROPERTY AND EQUIPMENT, NET**

|                                |                  |
|--------------------------------|------------------|
| Vehicles                       | \$79,800         |
| Property and Equipment         | 4,728            |
| Less: Accumulated Depreciation | <u>(34,401)</u>  |
| Property and Equipment, Net    | <u>\$ 50,127</u> |

Depreciation expense for the year ended December 31, 2023 was \$10,410.

**NOTE 5 - INCOME TAXES**

A reconciliation of “Income Before Taxes” reported on the Statements of Income to taxable income reported on the federal tax return follows for the year ended December 31, 2023 (to be filed):

|                                        |                  |
|----------------------------------------|------------------|
| Income before taxes                    | \$ 100,097       |
| Increase (decrease) to taxable income: |                  |
| Key man insurance premiums             | 6,787            |
| Exempt Interest Income                 | (886)            |
| Timing Difference Related to:          |                  |
| Depreciation                           | (24,667)         |
| Unrealized Gain on Investments         | <u>(21,097)</u>  |
| Taxable federal income to be filed     | <u>\$ 60,234</u> |

The provision for income taxes from operations consisted of the following:

|                          |                 |
|--------------------------|-----------------|
| Current                  |                 |
| Federal                  | \$ 8,000        |
| Deferred                 |                 |
| Federal                  | <u>10,000</u>   |
| Provision for Income Tax | <u>\$18,000</u> |

The tax effects of the significant temporary differences that constitute the deferred tax liabilities assets at December 31, 2023 were as follows:

|                                                   |                 |
|---------------------------------------------------|-----------------|
| Long-term deferred tax assets (Liabilities)       |                 |
| Unrealized Gain Investments                       | \$ 2,498        |
| Depreciation                                      | 8,451           |
| Uncertain tax positions unrecognized tax benefits | 0               |
| Less valuation allowance                          | <u>529</u>      |
|                                                   | <u>\$10,420</u> |

The total tax asset as of December 31, 2023 was 0. The total deferred tax liabilities as of December 31, 2023 was \$10,420.

The income tax provision differs from the expense that would result from applying federal statutory rates to income before income taxes primarily from nondeductibility of officer’s life insurance.

**HICKORY RIVER SMOKEHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE 6 – FRANCHISE REVENUE**

The Company executes franchise agreements that set the terms of its arrangement with each franchisee. In 2023, the franchise agreement requires the franchisee to pay an initial, non-refundable fee of \$20,000 and continuing fees based upon 4.0 percent of gross sales except for franchise added during 2022 which is 1% of gross sales. Subject to approval and payment of a renewal fee, a franchisee may generally renew its agreement upon expiration. Six franchises were in operation at December 31, 2023.

When an individual franchise is sold, the Company agrees to provide certain services to the franchisee in exchange for a fee. Generally, these services include providing guidelines and specifications for the operations and management of the business and providing initial mandatory training in the establishment of the business. The Company recognizes initial fees as revenue when substantially all initial services required by the franchise agreement are performed, which is generally upon opening of a store. Continuing fees are recognized as earned.

During 2022, the Company contracted with an entity to assist with selling of franchises. Under the agreement, the entity receives 80.0 percent of the initial fee and continuing fee based on 3.0 percent of gross sales. The Company receives 20.0 percent of the initial fee and continuing fee based on 1.0 percent of gross sales. One new franchise was added under this agreement during 2022.

In addition, during the year ended December 31, 2023 there was no franchise renewal fees.

**NOTE 7 – CONCENTRATIONS OF CREDIT RISK**

***Financial Instruments:***

Financial instruments that are potentially subject to concentrations of credit risk consist primarily of cash, cash equivalents, and accounts receivable. The Company restricts investments in cash equivalents to financial institutions with high credit standing.

***Major Supplier-Franchisees:***

Purchases made by franchisees for the year 2023 include amounts from a major supplier. This supplier and other suppliers provide rebates to the Company. Management believes no risk is present under these arrangements due to other suppliers being readily available.

**HICKORY RIVER SMOKEHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

The following is a summary of commitments as of December 31, 2023:

***Litigation***

From time to time the Company is involved in various legal proceedings and other matters arising in the normal course of business. At this time, the Company is not a party to any legal proceedings, which the Company expects individually or in the aggregate to have a material adverse effect on the Company's financial condition, cash flows or results of operations. Nonetheless, the resolution of any claim or litigation is subject to inherent uncertainty and could have a material adverse effect on the Company's financial condition, cash flows or results of operations.

**NOTE 9 – INSTALLMENT LOANS**

During 2020, the Company entered into a finance company note due in equal monthly installments of \$650 including interest at 4.79% through November 15, 2026 secured by related vehicle. This loan was paid in full during 2023 with sale of vehicle.

During May 2023, the Company entered into a finance company note due in 74 monthly installments of \$860 including interest at 5.74% secured by related vehicle.

Approximate maturities of installment loan principle during each year ending December 31, are as follows:

| Year Ending December 31, |                  |
|--------------------------|------------------|
| 2024                     | \$ 7,690         |
| 2025                     | 8,140            |
| 2026                     | 8,620            |
| 2027                     | 9,130            |
| 2028                     | 9,670            |
| Thereafter               | <u>5,540</u>     |
|                          | <u>\$ 48,794</u> |

Interest paid on installment loans for the year ended December 31, 2023 was \$1,870.

**NOTE 10 – MARKETING**

The Company contracts work with marketing agencies (agencies), media networks and others. In connection therewith the restaurants under franchise pay a percentage of revenue (3.00 percent) to the Company. During the year ended December 31, 2023, the restaurants under franchise paid \$336,257 in marketing fees. These marketing funds on deposit with the Company are utilized to pay an agency and others for incurred marketing costs.

During the year ended December 31, 2023, the Company paid an agency \$132,204 (see note 3) and others \$33,448 and refunded franchises \$101,500.

**HICKORY RIVER SMOKEHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE 11 – GIFT CARDS**

Funds received from the sale of gift cards by each franchisee and other retail establishments are remitted to a central administering Entity (Entity). The Entity reimburses each franchisee for the value of gift cards redeemed by the respective franchisee. The gift card fund (liability for unredeemed gift cards) is held by the Company in a separate checking account.

**NOTE 12 – PENSION PLAN EXPENSE**

The Company maintains a Simplified Employee Pension – Individual Retirement Account (SEP-IRA) plan. Under a Sep-IRA an employer is permitted to contribute, for any one employee, twenty-five percent of the employee's total compensation not to exceed \$66,000 in 2023. During the year ended December 31, 2023, pension plan contributions in the amount of \$62,000 were contributed and expensed.

**NOTE 13 – MARKETABLE SECURITIES**

The Company classifies its marketable securities as available for sale and they are carried at fair value. Fair values are determined based on unadjusted quoted prices in active markets for identical assets. Realized gains and losses determined using the average cost method are included in earnings. Unrealized gains and losses based on the difference between cost and fair value are reported in other income as investment return.

At December 31, 2023, Market

|                                              |                   |
|----------------------------------------------|-------------------|
| Marketable securities (mutual funds) at cost | \$ 299,542        |
| Unrealized Gain                              | 11,897            |
| Total marketable securities, at fair value   | <u>\$ 311,439</u> |

Total investments return (included in the statement of activities) is comprised of the following:

|                                   |                  |
|-----------------------------------|------------------|
| Dividends and interest            | \$ 10,768        |
| Net realized gains and (losses)   | 30               |
| Net unrealized gains and (losses) | 21,097           |
| Investment Fees                   | <u>(2,115)</u>   |
|                                   | <u>\$ 29,780</u> |

Fees related to investment account were \$2,115 for the year ended December 31, 2023.



**HICKORY RIVER SMOKEHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE 14 – FAIR VALUE MEASUREMENTS**

The Company's investments are reported at fair value in the accompanying balance sheet. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable and have the lowest priority. The Company uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

When available, the Company measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when level 1 or Level 2 inputs are not available. The Company assigned Level 1 category to the Company's investments.

**HICKORY RIVER SMOKEHOUSE, INC.  
SHALIMAR, FLORIDA**

**FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

**TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT**

**HICKORY RIVER SMOKEHOUSE, INC.**  
**YEAR ENDED DECEMBER 31, 2022**  
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# Manning & Associates

## Certified Public Accountants, LLC

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

### INDEPENDENT AUDITORS' REPORT

To the Board of Directors and the Stockholders of  
Hickory River Smokehouse, Inc.  
Shalimar, Florida

#### Opinion

We have audited the accompanying financial statements of Hickory River Smokehouse, Inc. (an Illinois Corporation) which comprise the balance sheet as of December 31, 2022, and the related statements of income, stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hickory River Smokehouse, Inc. as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audit 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 Hickory River Smokehouse, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of Management for the Financial Statements

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

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

To the Board of Directors and the Stockholders of  
Hickory River Smokehouse, Inc.  
Independent Auditors' Report

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the 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 judgement 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 Hickory River Smokehouse, Inc.'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hickory River Smokehouse, Inc.'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.

Manning and Associates CPAs,  
LLC

Digitally signed by Manning and Associates  
CPAs, LLC  
Date: 2023.04.27 12:39:50 -04'00'

Manning & Associates CPAs, LLC  
Dayton, Ohio

April 26, 2023

**HICKORY RIVER SMOKEHOUSE, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2022**

ASSETS

CURRENT ASSETS

|                                                  |                   |
|--------------------------------------------------|-------------------|
| Cash                                             | \$ 315,132        |
| Receivables                                      |                   |
| Current Portion of Affiliate Receivable          | 12,000            |
| Current Portion of Note Receivable - Stockholder | 26,000            |
| Stockholders Receivable                          | 45,814            |
| Prepaid Other                                    | 11,360            |
| Marketable Securities - Available for Sale       | 118,468           |
| TOTAL CURRENT ASSETS                             | <u>\$ 528,774</u> |

PROPERTY AND EQUIPMENT

|           |                  |
|-----------|------------------|
| Equipment | <u>\$ 16,261</u> |
|-----------|------------------|

DEFERRED INCOME TAXES

\$ 3,620

AFFILIATE RECEIVABLE, NET OF CURRENT PORTION

\$ 95,143

NOTE RECEIVABLE, STOCK HOLDER

\$ 140,133

TOTAL ASSETS

\$ 783,931

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

|                                      |                   |
|--------------------------------------|-------------------|
| Accounts Payable                     | \$ 13,178         |
| Current Portion of Installment Loans | 9,740             |
| Benefit Plan Payable                 | 52,000            |
| Gift Card Liability                  | 20,916            |
| Income Tax Payable                   | 10,649            |
| Marketing Deposits-Franchisees       | 469,780           |
| TOTAL CURRENT LIABILITIES            | <u>\$ 576,263</u> |

LONG TERM LIABILITIES

|                                           |                          |
|-------------------------------------------|--------------------------|
| Installment Loans, Net of Current Portion | <u>\$ 21,588</u>         |
| TOTAL LONG TERM LIABILITIES               | <u><u>\$ 597,851</u></u> |

STOCKHOLDERS' EQUITY

|                                                                                            |                          |
|--------------------------------------------------------------------------------------------|--------------------------|
| Common Stock, No Par Value, 10,000 Shares Authorized,<br>100 Shares Issued and Outstanding | \$ 100,000               |
| Retained Earnings                                                                          | 86,080                   |
| TOTAL STOCKHOLDERS' EQUITY                                                                 | <u>\$ 186,080</u>        |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY                                                 | <u><u>\$ 783,931</u></u> |

The Accompanying Notes are an Integral Part of the Financial Statements.

**HICKORY RIVER SMOKEHOUSE, INC.**  
**STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

|                               |                   |
|-------------------------------|-------------------|
| Revenue                       |                   |
| Continuing Franchise Fees     | \$ 340,711        |
| Marketing Fees                | 137,578           |
| Rebates, Suppliers            | 54,650            |
| Other                         | 59,232            |
| Total Revenue                 | <u>\$ 592,171</u> |
| Operating Expenses            |                   |
| Payroll and Related Expenses  | \$ 294,499        |
| Marketing and Advertising     | 153,860           |
| Professional Services         | 28,952            |
| Meals and Travel              | 15,160            |
| Auto Expense                  | 11,543            |
| Office                        | 12,841            |
| Depreciation                  | 11,742            |
| Insurance                     | 12,817            |
| Total Operating Expenses      | <u>\$ 541,414</u> |
| Income (loss) From Operations | \$ 50,757         |
| Other Income                  |                   |
| Investment Return             | <u>(16,736)</u>   |
| INCOME BEFORE INCOME TAXES    | \$ 34,021         |
| INCOME TAX BENEFIT (EXPENSE)  | <u>(7,500)</u>    |
| NET INCOME                    | <u>\$ 26,521</u>  |

The Accompanying Notes are an Integral Part of the Financial Statements.

**HICKORY RIVER SMOKEHOUSE, INC.**  
**STATEMENT OF STOCKHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

|                              | Common<br>Stock   | Retained<br>Earnings<br>(Deficit) | Total<br>Stockholders<br>Equity |
|------------------------------|-------------------|-----------------------------------|---------------------------------|
|                              | <u>          </u> | <u>          </u>                 | <u>          </u>               |
| Balance at January 1, 2022   | \$ 100,000        | \$ 59,559                         | \$ 159,559                      |
| Net Income                   |                   | 26,521                            | 26,521                          |
| Balance at December 31, 2022 | <u>\$ 100,000</u> | <u>\$ 86,080</u>                  | <u>\$ 186,080</u>               |

The Accompanying Notes are an Integral Part of the Financial Statements.



**HICKORY RIVER SMOKEHOUSE, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

|                                                         |                                 |
|---------------------------------------------------------|---------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>             |                                 |
| Net Income                                              | \$ 26,521                       |
| Adjustments to Reconcile Net Income to Net Cash         |                                 |
| Provided by Operating Activities:                       |                                 |
| Realized Loss - Investments                             | 12,367                          |
| Unrealized Loss - Investment                            | 10,825                          |
| Depreciation                                            | 11,742                          |
| Deferred Income Tax                                     | (5,000)                         |
| (Increase) Decrease in Assets:                          |                                 |
| Prepaid Other                                           | (17,244)                        |
| Increase (Decrease) in Liabilities                      |                                 |
| Gift Cards Liability                                    | 12,008                          |
| Marketing Deposit-Franchisees                           | 94,620                          |
| Income Tax Payable                                      | 6,649                           |
| Accounts Payable                                        | 13,178                          |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b> | <b>\$ <u>165,666</u></b>        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>             |                                 |
| Repayment From Stockholder Note Receivable              | \$ 3,867                        |
| Repayment From Affiliate Receivable                     | 25,763                          |
| Purchase of Investments                                 | (300,000)                       |
| Increase in Receivable - Stockholders                   | (13,797)                        |
| Repayment on Note Receivable                            | 51,000                          |
| Sale of Investments                                     | 166,955                         |
| Note Receivable Stockholder                             | (170,000)                       |
| <b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b> | <b>\$ <u>(236,212)</u></b>      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>             |                                 |
| Installment Loan Payments                               | \$ (6,285)                      |
| Reduction in Deferred Revenue                           | (51,000)                        |
| <b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b> | <b>\$ <u>(57,285)</u></b>       |
| <b>NET INCREASE (DECREASE) IN CASH</b>                  | <b>\$ (127,831)</b>             |
| Cash, January 1, 2022                                   | <u>442,963</u>                  |
| Cash, December 31, 2022                                 | <b>\$ <u><u>315,132</u></u></b> |
| <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>               |                                 |
| Cash Paid During the Year for Interest                  | \$ <u>1,567</u>                 |
| Cash Paid During the Year for Taxes                     | <b>\$ <u><u>5,851</u></u></b>   |

The Accompanying Notes are an Integral Part of the Financial Statements.

**HICKORY RIVER SMOKEHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**NOTE 1 – DESCRIPTION OF COMPANY AND SUMMARY OF  
SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Organization***

Hickory River Smokehouse, Inc. (the Company), incorporated in Illinois on February 26, 2003, has registered with a number of states as a franchisor. The Company licenses the rights to the Hickory River Smokehouse<sup>SM</sup> name and sells and services the restaurant franchises.

***Basis of Presentation***

The accounting and reporting policies of the Company conform with accounting principles generally accepted in the United States of America (“GAAP”) as contained in the Accounting Standards Codification (“ASC”) issued by the Financial Accounting Standards Board (“FASB”) and with general practices within the franchise industry. The following is a summary of the significant accounting policies.

***Use of Estimates***

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the accompanying statement of financial position and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses in the accompanying during statement activities during the reporting period. The Company’s actual results could differ materially from those estimates.

***Accounts Receivable and Allowance for Doubtful Accounts***

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. The allowance for doubtful accounts involves estimates based on management’s judgment, review of individual receivables and analysis of historical bad debts. The Company adjusts customer credit limits based upon each customer’s credit worthiness. The Company monitors collections and payments from its customers and maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Company’s customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. At December 31, 2022, there was no allowance for doubtful accounts.

***Property and Equipment***

Property and equipment purchased by the Company are recorded at cost. Depreciation is calculated using accelerated depreciation methods over the estimated useful lives of the assets.

***Advertising / Marketing***

The Company expenses advertising and marketing costs as they are incurred. Advertising and marketing cost was \$153,860 during the year ended December 31, 2022 (see Note 10).

**HICKORY RIVER SMOKEHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**NOTE 1 – DESCRIPTION OF COMPANY AND SUMMARY OF  
SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Income Taxes***

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences in asset and liability bases relate to the use of depreciable assets (use of different depreciation methods for financial statements and income tax purposes). The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Deferred tax assets are also recognized for operating losses, contribution carryforwards and tax credits that are available to offset future taxable income. Valuation allowances are provided for deferred tax assets based on management's projection of the sufficiency of future taxable income to realize the assets.

The Company is required to recognize, measure, classify, and disclose in the financial statements uncertain tax positions taken or expected to be taken in the Company's tax returns. Management has determined that the Company does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company will not be subject to additional tax, penalties, and interest as a result of such challenge.

Penalties and interest assessed by income taxing authorities would be included in operating expenses.

***Fair Value of Financial Instruments***

The Company's financial instruments consist primarily of cash, accounts receivable, accounts payable and a debt installment. The carrying values of financial instruments are representative of their fair values due to their short-term maturities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

***Revenue Recognition***

Substantially all of the Company's revenue contract is with franchisees. Continuing franchise fees are recognized when earned on franchisees restaurant sales in real time. Marketing fees are received from franchisees on their sales and recorded in real time as marketing deposits-franchisees. These fees are recognized as revenue when the Company provides marketing for the franchisees. Rebates from suppliers are recognized as revenue when received. Revenue from sales of individual franchises contract is recognized when substantially all significant initial services to be provided by the company have been performed. Refer to note 2.

**HICKORY RIVER SMOKEHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**NOTE 1 – DESCRIPTION OF COMPANY AND SUMMARY OF  
SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Subsequent Events***

The Company evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through April 26, 2023, which is the date the financial statements were available to be issued.

***Cash and Cash Equivalents***

Cash includes amounts in financial institutions. For purposes of the statement of cash flows, the Company considers all short-term instruments purchased with maturity of three months or less to be cash equivalents. There are no cash equivalents at December 31, 2022.

***Impairment of Long-Lived assets***

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to the carrying amount. If the operation is determined to be unable to recover the carrying amount of its assets, then assets are written down first, followed by other long-lived assets of the operation to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. As of December 31, 2021, there were no impairment losses recognized for long-lived assets.

**NOTE 2 – REVENUE FROM CONTRACTS**

On January 1, 2019, the Company adopted the New Revenue Standard (“Topic 606”).

***Disaggregated revenue***

Under Topic 606, the Company disaggregates net revenue consistent with the distribution of the Company’s net revenue by the following product groups:

- Continuing Franchise Fees. This revenue represents almost 57% of total revenue in the year ended December 31, 2022.
- Marketing Fees. This revenue represents almost 23% of total revenue in the year ended December 31, 2022.
- Rebates Suppliers. This revenue represents almost 10% of total revenue in the year ended December 31, 2022.
- Gift Card Liability. The receipt of these funds are not considered revenue because the Company holds these funds until the franchisees advise the Company of amount of gift certificates honored and Company remits funds to the franchisee for requested amount.

**HICKORY RIVER SMOKEHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**NOTE 2 – REVENUE FROM CONTRACTS (continued)**

***Disaggregated revenue (continued)***

Franchisees are assessed franchise fees and marketing fees at the rate of 4% and 3%, respectively, (Fees) of restaurant sales. These fees are remitted at days end electronically to a third-party service provider (Provider). Upon receipt of the fees the third provider summarizes fee by franchisee and fee class and periodically remits to the Company electronically at which times the fees are recorded. At December 31, 2022 all fees had been received and recorded for the year ended December 31, 2022.

Rebates received from supplies are recorded when funds are received by the Company.

Gift cards receipts received from franchisees and other retail establishments are recorded as a liability when funds are received by the Company

***Reconciliation of contract balances***

Contract assets are the rights to consideration in exchange for goods or services that the Company has transferred to a franchisee and/or supplier when that right is conditional on something other than the passage of time. Contract liabilities are recorded for any services not yet recognizable if the contract period has commenced or for the amount collected from franchisees in advance of the contract period commencing. As of December 31, 2022, the Company had no contract assets and \$490,696 contract liabilities, (marketing deposits-franchisees and gift cards liability) from contract with franchisees.

**NOTE 3 – RELATED-PARTY NOTE RECEIVABLE AND RELATED-PARTY TRANSACTIONS**

**A. Related Party**

- a) The Company utilizes a related marketing agency and paid this agency \$125,869 in fees during the year ended December 31, 2022 (see note 10)

**B. Receivable-Stockholders**

Amounts due from stockholders at December 31, 2022 was \$45,814.

**C. Note Receivable Stockholder**

During 2022, the Company loaned \$170,000 to a Stockholder. The Stockholder and Company has established an agreement whereby the Stockholder pays \$1,093 monthly and interest at a rate of 2% per annum. The balance at December 31, 2022 was \$166,133

**D. Affiliate Receivable**

At December 31, 2022, the Company had advanced funds of \$107,143 to an affiliate. The affiliate and Company have established an agreement whereby the affiliate pays \$1,000 bi-weekly and interest at the rate of 1% per annum is calculated yearly on the unpaid principal balance.

**HICKORY RIVER SMOKEHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**NOTE 3 – RELATED-PARTY NOTE RECEIVABLE AND RELATED-PARTY TRANSACTIONS (continued)**

Affiliate receivable has the following maturities at December 31, 2022:

| <u>Year Ended<br/>December 31,</u> | <u>Principal</u>         |
|------------------------------------|--------------------------|
| 2023                               | \$ 12,000                |
| 2024                               | 12,000                   |
| 2025                               | 12,000                   |
| 2026                               | 12,000                   |
| 2027                               | 12,000                   |
| Thereafter                         | <u>47,143</u>            |
|                                    | <u><u>\$ 107,143</u></u> |

**NOTE 4 – PROPERTY AND EQUIPMENT, NET**

|                                |                         |
|--------------------------------|-------------------------|
| Vehicles                       | \$70,546                |
| Property and Equipment         | 3,435                   |
| Less: Accumulated Depreciation | <u>(57,720)</u>         |
| Property and Equipment, Net    | <u><u>\$ 16,261</u></u> |

Depreciation expense for the year ended December 31, 2022 was \$11,742.

**NOTE 5 - INCOME TAXES**

A reconciliation of “Income Before Taxes” reported on the Statements of Income to taxable income reported on the federal tax return follows for the year ended December 31, 2022 (to be filed):

|                                        |                         |
|----------------------------------------|-------------------------|
| Income before taxes                    | \$ 34,021               |
| Increase (decrease) to taxable income: |                         |
| Key man insurance premiums             | 2,105                   |
| Timing Difference Related to:          |                         |
| Depreciation                           | 10,569                  |
| Unrealized Loss on Investments         | <u>10,825</u>           |
| Taxable federal income to be filed     | <u><u>\$ 57,520</u></u> |

**HICKORY RIVER SMOKEHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**NOTE 5 - INCOME TAXES (continued)**

The provision for income taxes from operations consisted of the following:

|                          |                 |
|--------------------------|-----------------|
| Current                  |                 |
| Federal                  | \$12,500        |
| Deferred                 |                 |
| Federal                  | <u>5,000</u>    |
| Provision for Income Tax | <u>\$ 7,500</u> |

The tax effects of the significant temporary differences that constitute the deferred tax assets at December 31, 2022 were as follows:

|                                                   |                |
|---------------------------------------------------|----------------|
| Long-term deferred tax assets (Liabilities)       |                |
| Unrealized Loss Investments                       | \$2,380        |
| Depreciation                                      | 3,000          |
| Uncertain tax positions unrecognized tax benefits | 0              |
| Less valuation allowance                          | (1,760)        |
|                                                   | <u>\$3,620</u> |

The total tax asset as of December 31, 2022 was 0. The total deferred tax assets as of December 31, 2022 was \$3,620.

The income tax provision differs from the expense that would result from applying federal statutory rates to income before income taxes primarily from nondeductibility of officer's life insurance.

**NOTE 6 – FRANCHISE REVENUE**

The Company executes franchise agreements that set the terms of its arrangement with each franchisee. In 2022, the franchise agreement requires the franchisee to pay an initial, non-refundable fee of \$20,000 and continuing fees based upon 4.0 percent of gross sales. Subject to approval and payment of a renewal fee, a franchisee may generally renew its agreement upon expiration. (See below for new 2022 franchise).

When an individual franchise is sold, the Company agrees to provide certain services to the franchisee in exchange for a fee. Generally, these services include providing guidelines and specifications for the operations and management of the business and providing initial mandatory training in the establishment of the business. The Company recognizes initial fees as revenue when substantially all initial services required by the franchise agreement are performed, which is generally upon opening of a store. Continuing fees are recognized as earned.

**HICKORY RIVER SMOKEHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**NOTE 6 – FRANCHISE REVENUE (continued)**

During the year ended December 31, 2022, there was one new franchisee opened. One franchisee withdrew its franchise during August 2019. Due to the withdrawal of the franchise agreement prior to expiration, the Company entered into an agreement and received a note receivable in the amount of \$75,000. The agreement provides for the Company to receive twenty-five (25) monthly payments of \$1,000 each which began December 2019 with receipt of a final payment of \$50,000 after receipt of the monthly required payments. Final payment of \$50,000 was received during 2022. Six franchises were in operation at December 31, 2022.

During 2022, the Company contracted with an entity to assist with selling of franchises. Under the agreement, the entity receives 80.0 percent of the initial fee and continuing fee based on 3.0 percent of gross sales. The Company receives 20.0 percent of the initial fee and continuing fee based on 1.0 percent of gross sales. One new franchise was added under this agreement during 2022, and the Company received and recorded initial fee in the amount of \$6,000.

In addition, during the year ended December 31, 2022 there was no franchise renewal fees.

**NOTE 7 – CONCENTRATIONS OF CREDIT RISK**

***Financial Instruments:***

Financial instruments that are potentially subject to concentrations of credit risk consist primarily of cash, cash equivalents, and accounts receivable. The Company restricts investments in cash equivalents to financial institutions with high credit standing.

***Major Supplier-Franchisees:***

Purchases made by franchisees for the year 2022 include amounts from a major supplier. This supplier and other suppliers provide rebates to the Company. Management believes no risk is present under these arrangements due to other suppliers being readily available.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

The following is a summary of commitments as of December 31, 2022:

***Litigation***

From time to time the Company is involved in various legal proceedings and other matters arising in the normal course of business. At this time, the Company is not a party to any legal proceedings, which the Company expects individually or in the aggregate to have a material adverse effect on the Company's financial condition, cash flows or results of operations. Nonetheless, the resolution of any claim or litigation is subject to inherent uncertainty and could have a material adverse effect on the Company's financial condition, cash flows or results of operations.



**HICKORY RIVER SMOKEHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**NOTE 9 – INSTALLMENT LOANS**

Finance Company note due in equal monthly installments of \$500 including interest at 5.548% through February 2023 secured by related vehicle. During 2020, the Company entered into a finance company note due in equal monthly installments of \$650 including interest at 4.79% through November 15, 2026 secured by related vehicle.

Approximate maturities of installment loan principle during each year ending December 31, are as follows:

|                          |                  |
|--------------------------|------------------|
| Year Ending December 31, |                  |
| 2023                     | \$ 9,740         |
| 2024                     | 6,917            |
| 2025                     | 7,255            |
| Thereafter               | <u>7,416</u>     |
|                          | <u>\$ 31,328</u> |

Interest paid on installment loans for the year ended December 31, 2022 was \$1,567.

**NOTE 10 – MARKETING**

The Company contracts work with marketing agencies (agencies), media networks and others. In connection therewith the restaurants under franchise pay a percentage of revenue (3.00 percent) to the Company. During the year ended December 31, 2022, the restaurants under franchise paid \$267,946 in marketing fees. These marketing funds on deposit with the Company are utilized to pay an agency and others for incurred marketing costs.

During the year ended December 31, 2022, the Company paid an agency \$125,869 (see note 3) and others \$19,457 and refunded franchises \$30,000.

**NOTE 11 – GIFT CARDS**

Funds received from the sale of gift cards by each franchisee and other retail establishments are remitted to a central administering Entity (Entity). The Entity reimburses each franchisee for the value of gift cards redeemed by the respective franchisee. The gift card fund (liability for unredeemed gift cards) is held by the Company in a separate checking account.

**NOTE 12 – PENSION PLAN EXPENSE**

The Company maintains a Simplified Employee Pension – Individual Retirement Account (SEP-IRA) plan. Under a Sep-IRA an employer is permitted to contribute, for any one employee, twenty-five percent of the employee's total compensation not to exceed \$61,000 in 2022. During the year ended December 31, 2022, pension plan contributions in the amount of \$52,000 were contributed and expensed.

**HICKORY RIVER SMOKEHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**NOTE 12 – MARKETABLE SECURITIES**

The Company classifies its marketable securities as available for sale and they are carried at fair value. Fair values are determined based on unadjusted quoted prices in active markets for identical assets. Realized gains and losses determined using the average cost method are included in earnings. Unrealized gains and losses based on the difference between cost and fair value are reported in other income as investment return.

At December 31, 2022, Market

|                                              |                   |
|----------------------------------------------|-------------------|
| Marketable securities (mutual funds) at cost | \$ 129,294        |
| Unrealized losses                            | <u>10,825</u>     |
| Total marketable securities, at fair value   | \$ <u>118,468</u> |

Total investments return (included in the statement of activities) is comprised of the following:

|                                   |                    |
|-----------------------------------|--------------------|
| Dividends and interest            | \$ 6,318           |
| Net realized gains and (losses)   | (12,229)           |
| Net unrealized gains and (losses) | <u>(10,825)</u>    |
|                                   | \$ <u>(16,736)</u> |

Fees related to investment account were \$1,907 for the year ended December 31, 2022.

**HICKORY RIVER SMOKEHOUSE, INC.**  
**SHALIMAR, FLORIDA**

**FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021**

**TOGETHER WITH**  
**INDEPENDENT AUDITORS' REPORT**

**HICKORY RIVER SMOKEHOUSE, INC.**  
**YEAR ENDED DECEMBER 31, 2021**  
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# Manning & Associates

## Certified Public Accountants, LLC

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

### INDEPENDENT AUDITORS' REPORT

To the Board of Directors and the Stockholders of  
Hickory River Smokehouse, Inc.  
Shalimar, Florida

#### Opinion

We have audited the accompanying financial statements of Hickory River Smokehouse, Inc. (an Illinois Corporation) which comprise the balance sheet as of December 31, 2021, and the related statements of income, stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hickory River Smokehouse, Inc. as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audit 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 Hickory River Smokehouse, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of Management for the Financial Statements

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

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

#### 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.

To the Board of Directors and the Stockholders of  
Hickory River Smokehouse, Inc.  
Independent Auditors' Report

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the 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 judgement 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 Hickory River Smokehouse, Inc.'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hickory River Smokehouse, Inc.'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.

Manning & Associates CPAs, LLC  
Digitally signed by Manning & Associates CPAs, LLC  
Date: 2022.04.26 14:31:23 -04'00'

Manning & Associates CPAs, LLC  
Dayton, Ohio  
April 25, 2022

**HICKORY RIVER SMOKEHOUSE, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2021**

ASSETS

CURRENT ASSETS

|                                         |                   |
|-----------------------------------------|-------------------|
| Cash                                    | \$ 442,963        |
| Receivables                             |                   |
| Current Portion of Affiliate Receivable | 12,000            |
| Current Portion of Note Receivable      | 12,000            |
| Stockholders Receivable                 | 32,017            |
| Prepaid Other                           | 2,730             |
| TOTAL CURRENT ASSETS                    | <u>\$ 501,710</u> |

PROPERTY AND EQUIPMENT

|           |                  |
|-----------|------------------|
| Equipment | <u>\$ 28,004</u> |
|-----------|------------------|

|                                              |                          |
|----------------------------------------------|--------------------------|
| AFFILIATE RECEIVABLE, NET OF CURRENT PORTION | <u>\$ 120,906</u>        |
| NOTE RECEIVABLE, NET OF CURRENT PORTION      | <u>\$ 39,000</u>         |
| TOTAL ASSETS                                 | <u><u>\$ 689,620</u></u> |

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

|                                      |                   |
|--------------------------------------|-------------------|
| Current Portion of Installment Loans | \$ 7,952          |
| Current Portion of Deferred Revenue  | 12,000            |
| Benefit Plan Payable                 | 52,000            |
| Gift Card Liability                  | 8,908             |
| Income Tax Payable                   | 4,000             |
| Marketing Deposits-Franchisees       | 375,160           |
| TOTAL CURRENT LIABILITIES            | <u>\$ 460,020</u> |

LONG TERM LIABILITIES

|                                           |                  |
|-------------------------------------------|------------------|
| Installment Loans, Net of Current Portion | \$ 29,661        |
| Deferred Revenue, Net Current Portion     | 39,000           |
| Deferred Income Taxes                     | 1,380            |
| TOTAL LONG TERM LIABILITIES               | <u>\$ 70,041</u> |

STOCKHOLDERS' EQUITY

|                                                                                            |                          |
|--------------------------------------------------------------------------------------------|--------------------------|
| Common Stock, No Par Value, 10,000 Shares Authorized,<br>100 Shares Issued and Outstanding | \$ 100,000               |
| Retained Earnings                                                                          | 59,559                   |
| TOTAL STOCKHOLDERS' EQUITY                                                                 | <u>\$ 159,559</u>        |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY                                                 | <u><u>\$ 689,620</u></u> |

The Accompanying Notes are an Integral Part of the Financial Statements.

**HICKORY RIVER SMOKEHOUSE, INC.**  
**STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

|                                          |                   |
|------------------------------------------|-------------------|
| Revenue                                  |                   |
| Continuing Franchise Fees                | \$ 319,873        |
| Marketing Fees                           | 121,517           |
| Rebates, Suppliers                       | 113,857           |
| Other                                    | 22,914            |
| Total Revenue                            | <u>\$ 578,161</u> |
| Operating Expenses                       |                   |
| Payroll and Related Expenses             | \$ 302,214        |
| Marketing and Advertising                | 124,925           |
| Professional Services                    | 28,269            |
| Meals and Travel                         | 4,360             |
| Auto Expense                             | 8,400             |
| Office                                   | 10,321            |
| Depreciation                             | 17,464            |
| Insurance                                | 8,343             |
| Total Operating Expenses                 | <u>\$ 504,296</u> |
| Income (loss) From Operations            | \$ 73,865         |
| Other Income                             |                   |
| Payroll Protection Program Loan Forgiven | <u>43,600</u>     |
| INCOME BEFORE INCOME TAXES               | \$ 117,465        |
| INCOME TAX BENEFIT (EXPENSE)             | <u>(4,000)</u>    |
| NET INCOME                               | <u>\$ 113,465</u> |

The Accompanying Notes are an Integral Part of the Financial Statements.



**HICKORY RIVER SMOKEHOUSE, INC.**  
**STATEMENT OF STOCKHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

|                              | Common<br>Stock   | Retained<br>Earnings<br>(Deficit) | Total<br>Stockholders<br>Equity |
|------------------------------|-------------------|-----------------------------------|---------------------------------|
| Balance at January 1, 2021   | \$ 100,000        | \$ (53,906)                       | \$ 46,094                       |
| Net Income                   |                   | 113,465                           | 113,465                         |
| Balance at December 31, 2021 | \$ <u>100,000</u> | \$ <u>59,559</u>                  | \$ <u>159,559</u>               |

The Accompanying Notes are an Integral Part of the Financial Statements.

**HICKORY RIVER SMOKEHOUSE, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

|                                                  |                          |
|--------------------------------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES             |                          |
| Net Income                                       | \$ 113,465               |
| Adjustments to Reconcile Net Income to Net Cash  |                          |
| Provided by Operating Activities:                |                          |
| Depreciation                                     | 17,464                   |
| Payroll Protection Program Loan Forgiven         | (43,600)                 |
| (Increase) Decrease in Assets:                   |                          |
| Receivable                                       | 41,320                   |
| Increase (Decrease) in Liabilities               |                          |
| Gift Cards Liability                             | (13,106)                 |
| Marketing Deposit-Franchisees                    | 113,939                  |
| Income Tax Payable                               | 4,000                    |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ 233,482</u>        |
| CASH FLOWS FROM INVESTING ACTIVITIES             |                          |
| Repayment From Affiliate Receivable              | \$ 24,586                |
| Purchase of Property and Equipment               | 0                        |
| Decrease in Receivable-Stockholders              | 12,622                   |
| Repayment on Note Receivable                     | 12,000                   |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | <u>\$ 49,208</u>         |
| CASH FLOWS FROM FINANCING ACTIVITIES             |                          |
| Installment Loan Payments                        | \$ (11,993)              |
| Reduction in Deferred Revenue                    | (12,000)                 |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | <u>\$ (23,993)</u>       |
| NET INCREASE (DECREASE) IN CASH                  | \$ 258,697               |
| Cash, January 1, 2021                            | <u>184,266</u>           |
| Cash, December 31, 2021                          | <u><u>\$ 442,963</u></u> |
| SUPPLEMENTAL CASH FLOW INFORMATION               |                          |
| Cash Paid During the Year for Interest           | \$ 2,003                 |
| Cash Paid During the Year for Taxes              | <u><u>\$ 0</u></u>       |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH              |                          |
| INVESTING AND FINANCING ACTIVITIES               |                          |
| Payroll Protection Program Loan Forgiven         | <u><u>\$ 43,600</u></u>  |

The Accompanying Notes are an Integral Part of the Financial Statements.

**HICKORY RIVER SMOKEHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 1 – DESCRIPTION OF COMPANY AND SUMMARY OF  
SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Organization***

Hickory River Smokehouse, Inc. (the Company), incorporated in Illinois on February 26, 2003, has registered with a number of states as a franchisor. The Company licenses the rights to the Hickory River Smokehouse<sup>SM</sup> name and sells and services the restaurant franchises.

***Basis of Presentation***

The accounting and reporting policies of the Company conform with accounting principles generally accepted in the United States of America (“GAAP”) as contained in the Accounting Standards Codification (“ASC”) issued by the Financial Accounting Standards Board (“FASB”) and with general practices within the franchise industry. The following is a summary of the significant accounting policies.

***Use of Estimates***

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the accompanying statement of financial position and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses in the accompanying during statement activities during the reporting period. Uncertainty created by the COVID-19 pandemic will likely impact our operation, clients, and various areas of risk. We assessed certain accounting matters that require the use of estimates and assumptions in context with the known and projected future impacts of COVID-19. The Company’s actual results could differ materially from those estimates.

***Accounts Receivable and Allowance for Doubtful Accounts***

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. The allowance for doubtful accounts involves estimates based on management’s judgment, review of individual receivables and analysis of historical bad debts. The Company adjusts customer credit limits based upon each customer’s credit worthiness. The Company monitors collections and payments from its customers and maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Company’s customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. At December 31, 2021, there was no allowance for doubtful accounts.

***Property and Equipment***

Property and equipment purchased by the Company are recorded at cost. Depreciation is calculated using accelerated depreciation methods over the estimated useful lives of the assets.

***Advertising / Marketing***

The Company expenses advertising and marketing costs as they are incurred. Advertising and marketing cost was \$124,925 during the year ended December 31, 2021 (see Note 10).

**HICKORY RIVER SMOKEHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 1 – DESCRIPTION OF COMPANY AND SUMMARY OF  
SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Income Taxes***

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences in asset and liability bases relate to the use of depreciable assets (use of different depreciation methods for financial statements and income tax purposes). The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Deferred tax assets are also recognized for operating losses, contribution carryforwards and tax credits that are available to offset future taxable income. Valuation allowances are provided for deferred tax assets based on management's projection of the sufficiency of future taxable income to realize the assets.

The Company is required to recognize, measure, classify, and disclose in the financial statements uncertain tax positions taken or expected to be taken in the Company's tax returns. Management has determined that the Company does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company will not be subject to additional tax, penalties, and interest as a result of such challenge.

Penalties and interest assessed by income taxing authorities would be included in operating expenses.

***Fair Value of Financial Instruments***

The Company's financial instruments consist primarily of cash, accounts receivable, accounts payable and a debt installment. The carrying values of financial instruments are representative of their fair values due to their short-term maturities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

***Revenue Recognition***

Substantially all of the Company's revenue contract is with franchisees. Continuing franchise fees are recognized when earned on franchisees restaurant sales in real time. Marketing fees are received from franchisees on their sales and recorded in real time as marketing deposits-franchisees. These fees are recognized as revenue when the Company provides marketing for the franchisees. Rebates from suppliers are recognized as revenue when received. Revenue from sales of individual franchises contract is recognized when substantially all significant initial services to be provided by the company have been performed. Refer to note 2.

**HICKORY RIVER SMOKEHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 1 – DESCRIPTION OF COMPANY AND SUMMARY OF  
SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Subsequent Events***

The Company evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through April 25, 2022, which is the date the financial statements were available to be issued.

***Cash and Cash Equivalents***

Cash includes amounts in financial institutions. For purposes of the statement of cash flows, the Company considers all short-term instruments purchased with maturity of three months or less to be cash equivalents. There are no cash equivalents at December 31, 2021.

***Impairment of Long-Lived assets***

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to the carrying amount. If the operation is determined to be unable to recover the carrying amount of its assets, then assets are written down first, followed by other long-lived assets of the operation to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. As of December 31, 2021, there were no impairment losses recognized for long-lived assets.

**NOTE 2 – REVENUE FROM CONTRACTS**

On January 1, 2019, the Company adopted the New Revenue Standard (“Topic 606”).

***Disaggregated revenue***

Under Topic 606, the Company disaggregates net revenue consistent with the distribution of the Company’s net revenue by the following product groups:

- Continuing Franchise Fees. This revenue represents almost 55% of total revenue in the year ended December 31, 2021.
- Marketing Fees. This revenue represents almost 21% of total revenue in the year ended December 31, 2021.
- Rebates Suppliers. This revenue represents almost 20% of total revenue in the year ended December 31, 2021.
- Gift Card Liability. The receipt of these funds are not considered revenue because the Company holds these funds until the franchisees advise the Company of amount of gift certificates honored and Company remits funds to the franchisee for requested amount.

**HICKORY RIVER SMOKEHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 2 – REVENUE FROM CONTRACTS (continued)**

***Disaggregated revenue (continued)***

Franchisees are assessed franchise fees and marketing fees at the rate of 4% and 3%, respectively, (Fees) of restaurant sales. These fees are remitted at days end electronically to a third-party service provider (Provider). Upon receipt of the fees the third provider summarizes fee by franchisee and fee class and periodically remits to the Company electronically at which times the fees are recorded. At December 31, 2021 all fees had been received and recorded for the year ended December 31, 2021.

Rebates received from supplies are recorded when funds are received by the Company.

Gift cards receipts received from franchisees and other retail establishments are recorded as a liability when funds are received by the Company

***Reconciliation of contract balances***

Contract assets are the rights to consideration in exchange for goods or services that the Company has transferred to a franchisee and/or supplier when that right is conditional on something other than the passage of time. Contract liabilities are recorded for any services not yet recognizable if the contract period has commenced or for the amount collected from franchisees in advance of the contract period commencing. As of December 31, 2021, the Company had no contract assets and \$384,068 contract liabilities, (marketing deposits-franchisees and gift cards liability) from contract with franchisees.

**NOTE 3 – RELATED-PARTY NOTE RECEIVABLE AND RELATED-PARTY TRANSACTIONS**

**A. Related Party**

- a) At December 31, 2020, the Company **had** a receivable of \$42,906 due from a related party. This receivable was paid in full during the year ended December 31, 2021.
- b) The Company utilizes a related marketing agency and paid this agency \$81,634 in fees during the year ended December 31, 2021 (see note 10)

**B. Receivable-Stockholders**

Amounts due from stockholders at December 31, 2021 was \$32,017.

**C. Affiliate Receivable**

At December 31, 2021, the Company had advanced funds of \$132,906 to an affiliate. The affiliate and Company have established an agreement whereby the affiliate pays \$1,000 monthly and interest at the rate of 1% per annum is calculated yearly on the unpaid principal balance.

Affiliate receivable has the following maturities at December 31, 2021:

**HICKORY RIVER SMOKEHOUSE, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 3 – RELATED-PARTY NOTE RECEIVABLE AND RELATED-PARTY  
TRANSACTIONS**

| <u>Year Ended<br/>December 31,</u> | <u>Principal</u>         |
|------------------------------------|--------------------------|
| 2022                               | \$ 12,000                |
| 2023                               | 12,000                   |
| 2024                               | 12,000                   |
| 2025                               | 12,000                   |
| 2026                               | 12,000                   |
| Thereafter                         | <u>72,906</u>            |
|                                    | <u><u>\$ 132,906</u></u> |

**NOTE 4 – PROPERTY AND EQUIPMENT, NET**

|                                |                         |
|--------------------------------|-------------------------|
| Vehicles                       | \$70,546                |
| Property and Equipment         | 11,790                  |
| Less: Accumulated Depreciation | <u>(54,332)</u>         |
| Property and Equipment, Net    | <u><u>\$ 28,004</u></u> |

Depreciation expense for the year ended December 31, 2021 was \$17,464.

**NOTE 5 - INCOME TAXES**

A reconciliation of “Income Before Taxes” reported on the Statements of Income to taxable income reported on the federal tax return follows for the year ended December 31, 2021 (to be filed):

|                                                              |                         |
|--------------------------------------------------------------|-------------------------|
| Income before taxes                                          | \$117,465               |
| Increase (decrease) to taxable income:                       |                         |
| Nontaxable income – Payroll Protection Program loan forgiven | (43,600)                |
| Key man insurance premiums                                   | 4,630                   |
| Timing Difference Related to:                                |                         |
| Depreciation                                                 | <u>16,290</u>           |
| Taxable income (loss) before net operating loss deduction    | \$ 94,785               |
| Net operating loss carryover                                 |                         |
| Year ended December 31, 2017 100%                            | (953)                   |
| Year ended December 31, 2019 and 2020 limit 80%              | <u>(75,066)</u>         |
| Taxable federal income to be filed                           | <u><u>\$ 18,766</u></u> |

**HICKORY RIVER SMOKEHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 5 - INCOME TAXES (continued)**

The provision for income taxes from operations consisted of the following:

|          |                |
|----------|----------------|
| Current  |                |
| Federal  | <u>\$4,000</u> |
| Deferred |                |
| Federal  | <u>\$ 0</u>    |

The tax effects of the significant temporary differences that constitute the deferred tax assets and liabilities at December 31, 2021 were as follows:

|                                                   |                          |
|---------------------------------------------------|--------------------------|
| Long-term deferred tax assets (Liabilities)       |                          |
| Net operating loss carryforward                   | \$11,500                 |
| Depreciation                                      | (5,200)                  |
| Uncertain tax positions unrecognized tax benefits | 0                        |
| Less valuation allowance                          | <u>(7,680)</u>           |
|                                                   | <u><u>\$ (1,380)</u></u> |

The total tax asset as of December 31, 2021 was 0. The total deferred tax liabilities as of December 31, 2021 was \$1,380.

At December 31, 2021, the Company had approximately \$55,000 of pre-tax loss carryforwards. The tax loss carryforward of \$41,000 will expire in 2046.

The income tax provision differs from the expense that would result from applying federal statutory rates to income before income taxes primarily from nondeductibility of officer's life insurance and nontaxable income – Payroll Protection Program loan forgiven and net operating loss carryforward.

**NOTE 6 – FRANCHISE REVENUE**

The Company executes franchise agreements that set the terms of its arrangement with each franchisee. In 2021, the franchise agreement requires the franchisee to pay an initial, non-refundable fee of \$20,000 and continuing fees based upon 4.0 percent of gross sales. Subject to approval and payment of a renewal fee, a franchisee may generally renew its agreement upon expiration.

When an individual franchise is sold, the Company agrees to provide certain services to the franchisee in exchange for a fee. Generally, these services include providing guidelines and specifications for the operations and management of the business and providing initial mandatory training in the establishment of the business. The Company recognizes initial fees as revenue when substantially all initial services required by the franchise agreement are performed, which is generally upon opening of a store. Continuing fees are recognized as earned.



**HICKORY RIVER SMOKEHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 6 – FRANCHISE REVENUE (continued)**

During the year ended December 31, 2021, there was no new franchisee opened. One franchisee withdrew its franchise during August 2019. Due to the withdrawal of the franchise agreement prior to expiration, the Company entered into an agreement and received a note receivable in the amount of \$75,000. The agreement provides for the Company to receive twenty-five (25) monthly payments of \$1,000 each which began December 2019 with receipt of a final payment of \$50,000 after receipt of the monthly required payments. Five franchises were in operation at December 31, 2021.

In addition, during the year ended December 31, 2021 there was no franchise renewal fees.

**NOTE 7 – CONCENTRATIONS OF CREDIT RISK**

***Financial Instruments:***

Financial instruments that are potentially subject to concentrations of credit risk consist primarily of cash, cash equivalents, and accounts receivable. The Company restricts investments in cash equivalents to financial institutions with high credit standing.

***Major Supplier-Franchisees:***

Purchases made by franchisees for the year 2021 include amounts from a major supplier. This supplier and other suppliers provide rebates to the Company. Management believes no risk is present under these arrangements due to other suppliers being readily available.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

The following is a summary of commitments as of December 31, 2021:

***Litigation***

From time to time the Company is involved in various legal proceedings and other matters arising in the normal course of business. At this time, the Company is not a party to any legal proceedings, which the Company expects individually or in the aggregate to have a material adverse effect on the Company's financial condition, cash flows or results of operations. Nonetheless, the resolution of any claim or litigation is subject to inherent uncertainty and could have a material adverse effect on the Company's financial condition, cash flows or results of operations.

**NOTE 9 – INSTALLMENT LOANS**

Finance Company note due in equal monthly installments of \$500 including interest at 5.548% through February 2023 secured by related vehicle. During 2020, the Company entered into a finance company note due in equal monthly installments of \$650 including interest at 4.79% through November 15, 2026 secured by related vehicle.

**HICKORY RIVER SMOKEHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 9 – INSTALLMENT LOANS (continued)**

Approximate maturities of installment loan principle during each year ending December 31, are as follows:

|                          |                  |
|--------------------------|------------------|
| Year Ending December 31, |                  |
| 2021                     | \$ 11,992        |
| 2022                     | 9,432            |
| 2023                     | 6,594            |
| 2024                     | 6,917            |
| 2025                     | 7,255            |
| Thereafter               | <u>7,416</u>     |
|                          | <u>\$ 49,606</u> |

Interest paid on installment loans for the year ended December 31, 2021 was \$2,003.

**NOTE 10 – MARKETING**

The Company contracts work with marketing agencies (agencies), media networks and others. In connection therewith the restaurants under franchise pay a percentage of revenue (3.00 percent) to the Company. During the year ended December 31, 2021, the restaurants under franchise paid \$240,457 in marketing fees. These marketing funds on deposit with the Company are utilized to pay an agency and others for incurred marketing costs.

During the year ended December 31, 2021, the Company paid an agency \$81,634 (see note 3) and others \$43,291.

**NOTE 11 – GIFT CARDS**

Funds received from the sale of gift cards by each franchisee and other retail establishments are remitted to a central administering Entity (Entity). The Entity reimburses each franchisee for the value of gift cards redeemed by the respective franchisee. The gift card fund (liability for unredeemed gift cards) is held by the Company in a separate checking account.

**NOTE 12 – PENSION PLAN EXPENSE**

The Company maintains a Simplified Employee Pension – Individual Retirement Account (SEP-IRA) plan. Under a Sep-IRA an employer is permitted to contribute, for any one employee, twenty-five percent of the employee's total compensation not to exceed \$58,000 in 2021. During the year ended December 31, 2021, pension plan contributions in the amount of \$52,000 were contributed and expensed.

## **EXHIBIT C**

Franchise Agreement with Appendices: A (Designated Area),  
B (Addendum to Lease), C (Electronic Transfer of Funds Authorization), D (Personal Guarantee), E  
(Ownership and Management Addendum), F (Acknowledgement Addendum),  
State-Specific Addendum – IL

HICKORY RIVER SMOKEHOUSE®  
FRANCHISE AGREEMENT  
BETWEEN  
HICKORY RIVER SMOKEHOUSE, INC.  
AND

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Name(s) of Franchisee

---

Street

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|      |       |     |
|------|-------|-----|
| City | State | Zip |
|------|-------|-----|

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Telephone

Effective Date:

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(To be completed by Us)

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HICKORY RIVER SMOKEHOUSE® FRANCHISE AGREEMENT

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APPENDICES

- A. Designated Area
- B. Addendum to Lease
- C. Electronic Transfer of Funds Authorization
- D. Personal Guarantee and Agreement to be Bound Personally by the Terms and Conditions of the Franchise Agreement
- E. Ownership and Management Addendum to HICKORY RIVER SMOKEHOUSE® Franchise Agreement
- F. Acknowledgement Addendum

State-Specific Addendum – IL

## HICKORY RIVER SMOKEHOUSE® FRANCHISE AGREEMENT

This Franchise Agreement is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ between Hickory River Smokehouse, Inc., an Illinois corporation with its principal business located at 117 Lisa Marie Place, Shalimar, FL 32579 (“we” or “us”), and \_\_\_\_\_, a(n) \_\_\_\_\_ whose principal business address is \_\_\_\_\_ (“franchisee” or “you”). If the franchisee is a corporation, partnership, limited liability company or other legal entity, certain provisions to this Agreement also apply to its owners.

### RECITALS

A. We are the owner and franchisor of a unique system for operating casual dining restaurants that feature Texas-style barbecue food products, including ribs, pork and beef brisket, chicken, sandwiches and other products, beverages and services using certain standards and specifications.

B. Many of the food and beverage products are prepared according to specified recipes and procedures, some of which include proprietary sauces and mixes.

C. We own the HICKORY RIVER SMOKEHOUSE® trademark and other trademarks used in connection with the operation of a Hickory River Smokehouse restaurant.

D. You desire to develop and operate a Hickory River Smokehouse restaurant and we, in reliance on your representations, have approved your franchise application.

E. You acknowledge that we may designate a management company or other agent to serve as our representative in providing support services to you and your restaurant.

In consideration of the foregoing and the mutual covenants and consideration below, you and we agree as follows:

### DEFINITIONS

1. For purposes of this Agreement, the terms below have the following definitions:

A. “Certified Manager” means the individual who (i) personally invests his or her full time and attention and devotes his or her best efforts to the on-premises general management of the day-to-day operations of the Restaurant, (ii) meets our prior restaurant or retail management experience requirements, and (iii) does not participate in the active operation or management of any business other than the Restaurant. The Certified Manager must be appointed at least 60 days prior to the Restaurant opening, fully trained 20 days prior to the Restaurant opening and is or will be identified on the Ownership and Management Addendum attached to this Agreement as Appendix E. The Certified Manager may be, but is not required to be, a Principal Owner.

B. “Designated Area” means the geographic area described in Appendix A to this Agreement.

C. “Gross Sales” includes the total revenues and receipts from the sale of all products, services and merchandise sold at or in connection with your Restaurant, whether under any of the Trademarks or otherwise, including, without limitation, any cover charges or fees, revenue from vending machines, or revenue from any other activities in your Restaurant on its

premises. Gross Sales also includes all of your revenues from the sale of “Menu Items” outside of your restaurant, including, but not limited to, revenue from catering services and sales at concession stands, booths and special events. Gross Sales excludes sales taxes.

D. “Menu Items” means the Texas-style barbecue food products including ribs, pork and beef brisket, chicken, sandwiches, side dishes, appetizers, desserts, beverages and other products prepared according to our specified recipes and procedures, as well as certain services including catering, as we may modify and change from time to time.

E. “Operations Manual” means the operating manuals and policies developed by us regarding or relating to the ongoing development, construction, opening, operation and maintenance of Hickory River restaurants. The Operations Manual will contain both mandatory and suggested standards and operating procedures that we develop for the System and may be in printed or electronic format. The Operations Manual is our exclusive property and may not be duplicated, shared or re-distributed by you.

F. “Principal Owner” means any person who directly or indirectly owns a 10% or greater interest in the franchisee when the franchisee is a corporation, limited liability company or a similar entity other than a partnership entity. If the franchisee is a partnership entity, then each general partner is a Principal Owner, regardless of the percentage ownership interest. If the franchisee is one or more individuals, each individual is a Principal Owner of the franchisee. Each franchisee must have at least one Principal Owner. Your Principal Owner(s) are identified on the Ownership and Management Addendum attached to this Agreement. As used in this Agreement, any reference to Principal Owner includes all Principal Owners.

G. “Restaurant” means the Hickory River Smokehouse restaurant you develop and operate pursuant to this Agreement.

H. “System” means the Hickory River Smokehouse System, which consists of distinctive food including Texas-style barbecue, ribs, pork and beef brisket, chicken, sandwiches and other products prepared according to special and confidential recipes and formulas with unique storage, preparation, service and delivery procedures and technique, and utilizing our proprietary sauces. The System also consists of a wide variety of beverages, including multiple types of beer and wine. In the future, the System may also include a full liquor bar. The food and beverage products are offered in a setting of distinctive exterior and interior layout, design and color scheme, signage, furnishings and materials and using certain distinctive types of facilities, equipment, supplies, ingredients, business techniques, methods and procedures together with sales promotion programs, all of which we may modify and change from time to time.

I. “Trademarks” means the mark HICKORY RIVER SMOKEHOUSE, (U.S. Registration No. 2,861,538) owned or controlled by us which we authorize or require you in writing to use in connection with the Restaurant, and any other trademarks, service marks and trade names which we may modify and change from time to time, and the trade dress and other commercial symbols used in the Restaurant. Trade dress includes the designs, color schemes and image we authorize you to use in the operation of the Restaurant from time to time.

## GRANT OF LICENSE

2. The following provisions control with respect to the license granted hereunder:

A. Authorized Location. We grant to you the right and license to establish and operate a retail Restaurant identified by the HICKORY RIVER SMOKEHOUSE Trademarks or such other marks as we may direct, to be located at: \_\_\_\_\_ or \_\_\_\_\_ a location to be designated within 180 days from the date of this Agreement (the “Authorized Location”). When a location has been designated and approved by you and us, it will become part of this subsection 2.A as if originally stated. Unless we authorize in writing an extension of time, if an Authorized Location is not designated within 180 days from the date of this Agreement, we have the right to declare this Agreement null and void without the return of any Initial Franchise Fee or other amounts paid to us. You accept the license and undertake the obligation to operate the Restaurant at the Authorized Location using the Trademarks and the System in compliance with the terms and conditions of this Agreement.

B. Designated Area. You must locate and operate the Restaurant at an Authorized Location within the Designated Area. We and our affiliates will not locate and operate or grant to anyone else a franchise to locate and operate a Hickory River Smokehouse restaurant within the Designated Area so long as this Agreement is in effect, except for the Special Sites defined in subsection 2.D. You do not have any right to sublicense or subfranchise within or outside of the Designated Area and do not have the right to operate more than one Restaurant within the Designated Area.

C. Opening. You agree that the Restaurant will be open and operating in accordance with the requirements of subsections 5.A and 5.B within (i) 365 days after the date we approve the Authorized Location or (ii) 365 days after the Effective Date of this Franchise Agreement, whichever is later, unless in either case we authorize in writing an extension of time. You may not open the Restaurant to the public until we have given you authorization to do so. We have the right to withhold such authorization if you are in default of this Agreement or any other Hickory River Smokehouse Franchise Agreement or have been in default of this Agreement or any other Hickory River Smokehouse Franchise Agreement in the preceding 6 months. At or around the time you first open your Restaurant, we will provide you with an Opening Team, consisting of up to 4 persons designated by us or our management company, or both, who will spend up to a combined total of up to 240 person-hours at your Restaurant. The Opening Team will assist in the opening and initial operation of your Restaurant. You agree to cooperate with the Opening Team. We or our management company, or both of us, will designate the dates and hours during which the Opening Team will be present at your Restaurant. You are not required to pay the wages, travel or living expenses of the Opening Team’s members.

D. Nonexclusivity; Our Reservation of Rights. The license is limited to the right to develop and operate one Restaurant at the Authorized Location located in the Designated Area, and does not include: (i) any right to sell products and Menu Items identified by the Trademarks at any location other than the Authorized Location, except for authorized delivery services as noted in subsection 2.E, or through any other channels or methods of distribution, including the internet (or any other existing or future forms of electronic commerce), (ii) any right to sell products and Menu Items identified by the Trademarks to any person or entity for resale or further distribution, or (iii) any right to exclude, control or impose conditions on our development of future franchised, company or affiliate owned restaurants at any time or at any location.



You acknowledge and agree that: (i) we and our affiliates have the right outside of the Designated Area to grant other franchises or develop and operate company or affiliate owned Hickory River Smokehouse restaurants and offer, sell or distribute any products or services associated with the System (now or in the future) under the Trademarks or any other trademarks, service marks or trade names or through any distribution channel or method, all without compensation to any franchisee; (ii) the designated area or trade area of a nearby Hickory River Smokehouse restaurant may overlap with your Designated Area; and (iii) we and our affiliates have the right to operate and franchise others to operate restaurants or any other business within and outside the Designated Area under trademarks other than the HICKORY RIVER SMOKEHOUSE Trademarks, without compensation to any franchisee, except that our operation of, or association or affiliation with, restaurants (through franchising or otherwise) in the Designated Area that compete with Hickory River Smokehouse restaurants in the casual dining or fast-casual restaurant segment will only occur through some form of merger or acquisition with an existing restaurant chain.

Although we and our affiliates will not develop, operate or franchise a Hickory River Smokehouse restaurant within the Designated Area, we and our affiliates have the right to offer, sell or distribute, within and outside the Designated Area, any frozen, pre-packaged items or other products or services associated with the System (now or in the future) or identified by the Trademarks, or any other trademarks, service marks or trade names, except for Prohibited Items (as defined below), through any distribution channels or methods, without compensation to any franchisee. Such distribution channels or methods include, without limitation, grocery stores, club stores, convenience stores, wholesale or the internet (or any other existing or future form of electronic commerce).

Further, you acknowledge that certain locations within the Designated Area are by their nature unique and separate in character from sites generally developed as Hickory River Smokehouse restaurants. As a result, you agree that the following locations (“Special Sites”) are excluded from the Designated Area and we have the right, subject to our then-current Special Sites Policy, if any, to develop or franchise such locations: (1) regional shopping malls; (2) enclosed shopping malls; (3) military bases; (4) public transportation facilities, including airports and railroad stations; (5) sports facilities, including race tracks; (6) student unions or other similar buildings on college or university campuses; (7) amusement and theme parks; and (8) community and special events.

E. Delivery. You may not engage in off-premises sale within or outside of the Designated Area, unless we authorize in writing, as further described in subsection 6.L. Delivery must be done in accordance with the standards and specifications set forth in the Operations Manual, if any.

### TRADEMARK STANDARDS AND REQUIREMENTS

3. You acknowledge and agree that the Trademarks are our sole property and that your right to use the Trademarks is specifically conditioned upon the following:

A. Trademark Ownership. We are the owner of all right, title and interest in and to the Trademarks and all past, present or future goodwill of the Restaurant and of the business conducted at the Authorized Location that is associated with or attributable to the Trademarks. Your use of the Trademarks will inure to our benefit. You may not, during or after the term of this Agreement, engage in any conduct directly or indirectly that would infringe upon, harm or contest our rights in any of the Trademarks or the goodwill associated with the Trademarks,

including any use of the Trademarks in a derogatory, negative, or other inappropriate manner in any media, including but not limited to print or electronic media.

B. Trademark Use. You may not use, or permit the use of, any trademarks, trade names or service marks in connection with the Restaurant except those specified in subsection 1.H, or except as we otherwise direct in writing. You may use the Trademarks only in connection with such products and services as we specify and only in the form and manner we prescribe in writing. You must comply with all trademark, trade name and service mark notice marking requirements. You may use the Trademarks only in association with products and services approved by us and that meet our standards or requirements with respect to quality, mode and condition of storage, production, preparation and sale, and portion and packaging.

C. Restaurant Identification. You must use the name HICKORY RIVER SMOKEHOUSE as the trade name of the Restaurant and you may not use any other mark or words to identify the Restaurant without our prior written consent. You may not use the words HICKORY RIVER SMOKEHOUSE or any of the other Trademarks as part of the name of your corporation, partnership, limited liability company or other similar entity. You may use the Trademarks on various materials, such as business cards and stationery, provided that you: (i) accurately depict the Trademarks as we designate, (ii) include a statement on the materials indicating that the business is independently owned and operated by you, (iii) do not use the Trademarks in connection with any other trademarks, trade names or service marks unless we specifically approve in writing prior to such use, and (iv) make available to us, upon our request, a copy of any materials depicting the Trademarks. Notwithstanding the foregoing, you may not use the Trademarks on your employment applications, employee evaluation forms, benefits statements, payroll checks or other documents or materials relating to your employees. You must post a prominent sign in the Restaurant identifying you as a HICKORY RIVER SMOKEHOUSE franchisee in a format we deem acceptable, including an acknowledgment that you independently own and operate the Restaurant and that the HICKORY RIVER SMOKEHOUSE Trademark is owned by our parent company and your use is under a license that we have issued to you.

D. Litigation. In the event any person or entity improperly uses or infringes the Trademarks or challenges your use or our use or ownership of the Trademarks, we will control all litigation and we have the right to determine whether suit will be instituted, prosecuted or settled, the terms of settlement and whether any other action will be taken. You must promptly notify us of any such use or infringement of which you are aware or any challenge or claim arising out of your use of any Trademark. You must take reasonable steps, without compensation, to assist us with any action we undertake. We will be responsible for our fees and expenses with any such action, unless the challenge or claim results from your misuse of the Trademarks in violation of this Agreement, in which event you will be required to reimburse us for our fees and expenses.

E. Changes. You may not make any changes or substitutions to the Trademarks unless we direct in writing. We may change the name of the franchise system and the franchise offered at any point during the term of your franchise agreement. We have the right to require you to modify or discontinue use of the Trademarks or to use one or more additional or substitute trade or service marks. In such case, you must comply with our directions to modify or discontinue the use of the Trademarks or use one or more additional or substitute trade or service marks upon 60 days' notice from us. Such modification may include, without limitation, replacement of your restaurant signage. If we require you to change the name of your Restaurant, we will reimburse you for your reasonable direct expenses in modifying or discontinuing the use of the HICKORY RIVER SMOKEHOUSE mark

and substituting a different trademark or service mark, up to a maximum of \$8,000. Your costs in substituting trademarks and/or replacing signage may exceed the amount that we are required to reimburse you. We may also require that you provide documentation of your expenses, prior to reimbursement. We are not obligated to reimburse you for any loss of goodwill associated with any modified or discontinued HICKORY RIVER SMOKEHOUSE trademark or for any expenditures made by you to promote a modified or substitute trademark or service mark.

#### TERM AND RENEWAL

4. The following provisions control with respect to the term and renewal of this Agreement:

A. Term. The initial term of this Agreement shall commence on the Effective Date of this Agreement (see subsection 15.Q) and, unless sooner terminated in accordance with Section 13, shall terminate 10 years after the date that the Restaurant first opens, in accordance with Section 2.C. We may, in our discretion, extend this initial term in writing for a limited period of time not to exceed 6 months to take into account the term of any applicable lease for the Authorized Location.

B. Renewal Term and Conditions of Renewal. You may renew your license once (for a renewal term of 10 years) provided that: (i) you have given us written notice of your decision to renew at least 6 months but not more than 12 months before the end of the expiring term; (ii) you sign our then-current form of franchise agreement (modified to reflect no additional renewal term upon expiration and other modifications to reflect that the agreement relates to the grant of a renewal), the terms of which may differ from this Agreement, including higher fees and a modification of the Designated Area; (iii) you have complied with the provisions of subsection 5.E regarding modernization, unless we determine that you should relocate your Restaurant because your Authorized Location no longer meets our then-current site criteria, in which case you must comply with the 90- and 270-day relocation requirements of subsection 5.D; (iv) you are not in default of this Agreement or any other agreement pertaining to the franchise granted, you have satisfied all monetary and material obligations on a timely basis during the term and you are in good standing; (v) if leasing the Restaurant premises (and not subject to relocation under (iii) above), you have renewed the lease and have provided written proof of your ability to remain in possession of the premises throughout the renewal period; (vi) you comply with our then-current training requirements; (vii) you pay us a renewal fee of \$5,000; and (viii) you and your Principal Owners and guarantors execute a general release of claims in a form we prescribe.

#### FACILITY STANDARDS AND MAINTENANCE

5. You acknowledge and agree that we have the right to establish, from time to time, quality standards regarding the business operations of Hickory River Smokehouse restaurants to protect the distinction, goodwill and uniformity symbolized by the Trademarks and the System. Accordingly, you agree to maintain and comply with our quality standards and agree to the following terms and conditions:

A. Restaurant Facility; Lease. You are responsible for purchasing or leasing a site that meets our site selection criteria. We must consent to the site in writing. You may not use the Restaurant premises or Authorized Location for any purpose other than the operation of a Hickory River Smokehouse restaurant during the term of this Agreement. We make no guarantees concerning the success of the Restaurant located on any site to which we consent.

You may not open your Restaurant for business until we have notified you in writing that you have satisfied your pre-opening obligations as set forth in subparagraphs 5.A and 5.B and we have approved your opening date. We reserve the right to conduct a pre-opening inspection of your Restaurant to ensure that it complies with our specifications and standards. We may also require you to conduct a pre-opening test of your Restaurant's equipment, and submit to us a report detailing equipment performance. We are not responsible or liable for any of your pre-opening obligations, losses or expenses you might incur for your failure to comply with these obligations or your failure to open by a particular date. We also are entitled to injunctive relief or specific performance under subsection 12.B for your failure to comply with your obligations.

In the event that you enter into any type of lease for the Restaurant premises, you must provide the lease to us and receive our prior written approval of the lease before you execute it. We have no responsibility for the lease; it is your sole responsibility to evaluate, negotiate and enter into the lease for the Restaurant premises. Your lease must contain the Lease Addendum attached as Appendix B. You must provide us a copy of the lease and Addendum within 5 days of their execution.

B. Construction; Future Alteration. You must construct and equip the Restaurant in strict accordance with our current approved specifications and standards pertaining to equipment, inventory, signage, fixtures, accessory features and design and layout of the building. You may not commence construction of the Restaurant until you have received our written consent to your building plans.

Without limiting the generality of the prior paragraph, you must promptly after obtaining the site for the Restaurant, hire a registered architect to create plans and specifications for your restaurant, consistent with our general atmosphere, image, color scheme and ambience requirements as set forth from time to time in the Operations Manual for a Hickory River Smokehouse restaurant (including requirements for dimensions, exterior design, materials, interior design and layout, equipment, fixtures, furniture, signs and decorating). Your leasehold improvements must conform to all federal, state, city, and local building codes, including the Americans with Disabilities Act. You may use our approved architect to create your building plans or you may hire a registered architect of your own choosing. If you hire an architect other than our approved architect, you must submit building plans for your restaurant to our approved architect for approval before you begin construction of your restaurant, and you must pay our approved architect a review fee, which is currently estimated to be \$3,000 to \$5,000. The building plans that you submit for approval must be full architectural, structural, mechanical, electrical, plumbing, final site and grading plans and food service drawings showing equipment layout, manufacturer and model numbers and bearing the seal of a registered architect in the state where your restaurant will be located. Following our approval of your plans, you must: (i) obtain construction bids for the project from at least 3 prospective contractors, each of which is bonded and insured, and select one such contractor who meets our standards; (ii) purchase or lease and then, in the construction of the Restaurant, use only the approved equipment, fixtures, audio visual equipment, furniture and signs; (iii) complete the construction and/or remodeling, equipment, fixtures, furniture and sign installation and decorating of the Restaurant in full and strict compliance with plans and specifications we approve and all applicable ordinances, building codes and permit requirements without any unauthorized alterations; (iv) obtain all customary contractors' sworn statements and partial and final waiver obtain all necessary permits, licenses and architectural seals and comply with applicable legal requirements relating to the building, signs, equipment and premises, including, but not limited to, the Americans with Disabilities Act; and (v) obtain and maintain all required

zoning changes, building, utility, health, sanitation, liquor and sign permits and licenses and any other required permits and licenses. It is your responsibility to comply with the foregoing conditions.

Any change to the building plans or any replacement, reconstruction, addition or modification in the building, interior or exterior decor or image, equipment or signage of the Restaurant to be made after our consent is granted for initial plans, whether at the request of you or of us, must be made in accordance with specifications that have received our prior written consent. You may not commence such replacement, reconstruction, addition or modification until you have received our written consent to your revised plans.

C. Maintenance. The building, equipment, fixtures, furnishings, signage and trade dress (including the interior and exterior appearance) employed in the operation of your Restaurant must be maintained and refreshed in accordance with our requirements established periodically and any of our reasonable schedules prepared based upon periodic evaluations of the premises by our representatives. Within a period of 30-60 days (as we determine depending on the work needed) after the receipt of any particular report prepared following such an evaluation, you must affect the items of maintenance we designate, including the repair of defective items and/or the replacement of irreparable or obsolete items of equipment and signage. If, however, any condition presents a threat to customers or public health or safety, you must affect the items of maintenance immediately, as further described in subsection 6.G. If you fail to make any improvement or perform the maintenance listed above, we may, in addition to our other rights in this Agreement, effect such improvement or maintenance and you must reimburse us for the costs we incur.

D. Relocation. If you need to relocate because of condemnation, destruction, or expiration or cancellation of your lease for reasons other than your breach, we will grant you authority to do so at a site acceptable to us that is within your Designated Area; provided that the new Restaurant is under construction within 90 days after you discontinue operation of the Restaurant at the Authorized Location and open and operating within 270 days after construction commences, all in accordance with our then-current standards. If you voluntarily decide to relocate the Restaurant, your right to relocate the Restaurant will be void and your interest in this Agreement will be voluntarily abandoned, unless you have given us notice of your intent to relocate not less than 60 days prior to closing the Restaurant, have procured a site that we accept within 60 days after closing the prior Restaurant, have opened the new Restaurant for business within 180 days of such closure and complied with any other conditions that we reasonably require. You must pay the costs of any relocation, and we reserve the right to charge you for any reasonable costs that we incur.

In the event your Restaurant is destroyed or damaged and you repair the Restaurant at the Authorized Location (rather than relocate the Restaurant), you must repair and reopen the Restaurant at the Authorized Location in accordance with our then-current standards for the destroyed or damaged area within 180 days of the date of occurrence of the destruction or damage.

You do not have the right to relocate in the event you lose the right to occupy the Restaurant premises because of the cancellation of your lease due to your breach. Rather, the cancellation of your lease due to your breach is grounds for immediate termination under subsection 13.B.2.

E. Modernization or Replacement. From time to time as we require, you must effect items of modernization and/or replacement of the building, premises, trade dress,

equipment and grounds as may be necessary for your Restaurant to conform to the standards for similarly situated new Hickory River Smokehouse restaurants. The maximum cumulative amount that you will be required to spend during the initial term of this Agreement will not exceed \$75,000 (the “Maximum Modernization Amount”). The Maximum Modernization Amount does not include amounts that we may require you to spend under subsection 3.E.

Notwithstanding the foregoing paragraph, we will not require you to make any modernization expenditures during the first 2 years of this Agreement. Thereafter, however, you must complete to our satisfaction any changes we require within 6 months from the date you are notified of any required changes, except for outdoor signage as set forth in subsection 5.F. Nothing in this subsection shall negate the provisions of subsection 3.E.

The Maximum Modernization Amount will be adjusted every 10-year period in accordance with any change in the National Consumer Price Index for the recently completed 5-year period, as described in subsection 15.P. The Maximum Modernization Amount does not include any required expenditures for equipment or leasehold improvements necessary to prepare new product offerings. Furthermore, you must perform general, continued maintenance and refreshing of the Restaurant premises whenever necessary, as set forth in subsection 5.C and at a cost not included in the Maximum Modernization Amount. Each and every transfer of any interest in the franchisee entity, this Agreement or your business governed by Section 11 or renewal covered by Section 4 is expressly conditioned upon your compliance with these requirements at the time of transfer or renewal without regard to the Maximum Modernization Amount.

You acknowledge and agree that the requirements of this subsection 5.E are both reasonable and necessary to ensure continued public acceptance and patronage of Hickory River Smokehouse restaurants and to avoid deterioration or obsolescence in connection with the operation of the Restaurant.

F. Signage. The outdoor signage at your Restaurant must comply with our specifications, which we may modify and change from time to time due to modifications to the System, including changes to the Trademarks. You must make such changes to the outdoor signage as we require. Your costs for updated signage will be included in the Maximum Modernization Amount under subsection 5.E, except for amounts that we may have reimbursed you under subsection 3.E.

#### PRODUCTS AND OPERATIONS STANDARDS AND REQUIREMENTS

6. You must implement and abide by our requirements and recommendations directed to enhancing substantial System uniformity. The following provisions control with respect to products and operations:

A. Authorized Menu. Your business must be confined to the preparation and sale of only such Menu Items and other food and beverage products as we designate and approve in writing from time to time for sale by your Restaurant. You must offer for sale from the Restaurant all items and only those items listed as Menu Items and other approved food and beverage products. We have the right to make modifications to these items from time to time, and you agree to comply with any modifications. You may not offer or sell any other product or service at the Authorized Location without our prior written consent.

B. Authorized Products and Ingredients. You must use in the operation of the Restaurant and in the preparation of Menu Items and other food and beverage products only the

proprietary sauces and mixes and other proprietary and non-proprietary ingredients, recipes, formulas, cooking techniques and processes and supplies, and must purchase, prepare and serve Menu Items and products in such portions, sizes, appearance, taste and packaging, all as we specify in our most current product preparation materials or otherwise in writing. We will supply to you a copy of the current product preparation materials prior to opening of the Restaurant. You acknowledge and agree that we may change these periodically and that you are obligated to conform to the new requirements. All supplies, including containers, cups, plates, wrapping, eating utensils, and napkins, and all other customer service materials of all descriptions and types must meet our standards of uniformity and quality. You acknowledge that the Restaurant must at all times maintain an inventory of ingredients, food and beverage products and other products, material and supplies that will permit operation of the Restaurant at maximum capacity.

C. Approved Supplies and Suppliers. We will furnish to you from time to time lists of Approved Supplies or approved suppliers. You must only use approved products, inventory, equipment, fixtures, furnishings, signs, marketing materials, trademarked items and novelties, and other items (collectively, "Approved Supplies") in the Restaurant as set forth in the approved supplies list(s) and/or purchased from vendors that we designate or approve ("Approved Suppliers"), as we may amend from time to time. Although we have the right to do so, we do not approve the manufacturer of every item you use for your business. You acknowledge and agree that certain Approved Supplies may only be available from one source, and we or our affiliates may be that source. For example, at the time this Agreement is executed, there is only one approved supplier of the proprietary barbecue and other sauces that you must exclusively use and offer for sale at the Restaurant. All inventory, products, materials and other items and supplies used in the operation of the Restaurant that are not included in the Approved Supplies or approved suppliers lists must conform to the specifications and standards we establish from time to time. You acknowledge and agree that we may receive and retain any credits, rebates or incentives offered by approved suppliers. We are not required to hold any such funds in trust for you or for franchisees in general and may dispose of such funds in any manner we choose. **ALTHOUGH APPROVED BY US, WE AND OUR AFFILIATES MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO PRODUCTS, EQUIPMENT (INCLUDING WITHOUT LIMITATION AND ANY REQUIRED COMPUTER SYSTEMS), SUPPLIES, FIXTURES, FURNISHINGS OR OTHER APPROVED ITEMS.**

D. Computer System. We reserve the right to require you to purchase and use any computer system that we develop or select for the Restaurant, including all future upgrades, updates, supplements and modifications (the "Computer System"). Any such purchases, updates, supplements or modifications are not subject to or part of the Maximum Modernization Amount defined in subsection 5.E. The Computer System may include all hardware and software used in the operation of the Restaurant, including electronic point-of-sale cash registers and back office programs used to record, analyze and report sales, labor, inventory and tax information. The computer software package developed for use in the Restaurant may include proprietary software. You may be required to license the proprietary software from us, an affiliate or a third party and you also may be required to pay a software licensing or user fee in connection with your use of the proprietary software. You are responsible for any and all fees and maintenance costs related to the Computer System. All right, title and interest in the software will remain with the licensor of the software. The computer hardware component of the Computer System must conform to specifications we develop. We reserve the right to designate a single source from whom you must purchase the Computer System. You acknowledge and agree that we will have full and complete access to

information and data entered and produced by the Computer System. You must have at the Authorized Location internet access with a form of high speed connection as we require and you must maintain: (i) an email account for our direct correspondence with the Principal Owner; and (ii) a separate email account for the Restaurant.

E. Serving and Promotional Items. All sales promotion material, customer goodwill items, cartons, containers, wrappers and paper goods, eating and serving utensils, and customer convenience items used in the sales promotion, sale and distribution of products covered by this Agreement are subject to our approval and must, where practicable, contain one or more of the Trademarks. We may require you to carry and offer for sale in the Restaurant a representative supply of approved trademarked clothing and other novelty items, including special promotional items that we develop and market from time to time.

F. Health and Sanitation. Your Restaurant must be operated and maintained at all times in compliance with any and all applicable health and sanitary standards prescribed by governmental authority. You also must comply with any standards that we prescribe. In addition to complying with such standards, if the Restaurant is subject to any sanitary or health inspection by any governmental authorities under which it may be rated in one or more than one classification, it must be maintained and operated so as to be rated in the highest available health and sanitary classification with respect to each governmental agency inspecting the same. In the event you fail to be rated in the highest classification or receive any notice that you are not in compliance with all applicable health and sanitary standards, you must immediately notify us of such failure or noncompliance.

G. Evaluations. We or our authorized representative have the right to enter your Restaurant at all reasonable times during the business day for the purpose of making periodic evaluations and to ascertain if the provisions of this Agreement are being observed by you, to inspect and evaluate your building, land and equipment, and to test, sample, inspect and evaluate your supplies, ingredients and products, as well as the storage, preparation and formulation and the conditions of sanitation and cleanliness in the storage, production, handling and serving. Any inspections, evaluation or other visits to your Restaurant by us are to protect our interest in the System and the Trademarks and not to control the day-to-day operation of your Restaurant or for the supervision of your employees. If we determine that any condition in the Restaurant presents a threat to customers or public health or safety, we may take whatever measures we deem necessary, including requiring you to immediately close the Restaurant until the situation is remedied to our satisfaction. Our inspections and evaluations may include a "mystery shopper" program from time to time. If you fail any inspection or evaluation, you must pay the costs and expenses of subsequent "mystery shopper" visits.

H. Period of Operation. Subject to any contrary requirements of local law, your Restaurant must be opened to the public and operated during the hours and days as detailed in the Operations Manual. Any variance from this provision must be authorized by us in writing. You acknowledge and agree that if your Restaurant is closed for a period of 2 consecutive days or 5 or more days in any 12-month period without our prior written consent, such closure constitutes your voluntary abandonment of the franchise and business and we have the right, in addition to other remedies provided for herein, to terminate this Agreement. Acts of God, war, strikes, riots or other force majeure causes preventing you temporarily from complying with the foregoing will suspend compliance with this provision for the duration of such interference.

I. Operating Procedures. You must adopt and use as your continuing operational routine the required standards, service style, procedures, techniques and management systems described in our Operations Manual or other written materials relating to product preparation,



menu, storage, uniforms, financial management, equipment, facility and sanitation. We will revise the Operations Manual and these standards, procedures, techniques and management systems periodically to meet changing conditions of retail operation in the best interest of restaurants operating under the Trademarks. Any required standards exist to protect our interests in the System and the Trademarks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to you.

You acknowledge having received one copy of the Operations Manual on loan from us for the term of this Agreement. The Operations Manual at all times is our sole property. You must at all times treat the Operations Manual, and the information it contains, as secret and confidential, and must use all reasonable efforts to maintain such information as secret and confidential. We may from time to time revise the contents of the Operations Manual and you expressly agree to comply with each new or changed requirement. You must at all times ensure that your copy of the Operations Manual is kept current and up to date, and in the event of any dispute as to the contents of the Operations Manual, the terms of the master copy of the Operations Manual that we maintain are controlling. You acknowledge and agree that in the future the Operations Manual and other system communications may only be available on the internet or other online or computer communications.

J. Confidential Information. You, the Principal Owners, and the Certified Manager may not, during the term of this Agreement or thereafter, communicate, divulge or use for the benefit of any other person or entity any Confidential Information, except to such employees as must have access to it in order to operate the Restaurant. For purposes of this Agreement, "Confidential Information" means proprietary information contained in the Operations Manual or otherwise communicated to you in writing, verbally or through the internet or other online or computer communications, and any other knowledge or know-how concerning the methods of operation of the Restaurant. Any and all Confidential Information, including, without limitation, proprietary ingredients, sauces and mixes, secret formulas and recipes, methods, procedures, suggested pricing, specifications, processes, materials, techniques and other data, may not be used for any purpose other than operating the Restaurant. We may require that you obtain nondisclosure and confidentiality agreements in a form satisfactory to us from any persons owning a minority interest in the franchisee, the Principal Owners, the Certified Manager and other key employees. You must provide executed copies of these agreements to us upon our request.

K. Vending Services. You must install and maintain on the premises of the Restaurant only those vending service machines that we designate. You may not install any other video games, newspaper racks, ATMs, jukeboxes, gaming machines or other forms of gambling, gum machines, rides, vending machines, pool tables, or other similar devices without our prior written approval. Any income from any vending services in the Restaurant or on its premises, regardless of which person or entity collects the money, must be included in Gross Sales for purposes of your Continuing Fee and National Marketing Fee.

L. Delivery Services. You must obtain our prior written approval before offering delivery service to customers.

M. Compliance with Law; Licenses and Permits. You must at all times maintain your premises and conduct your Restaurant operations in compliance with all applicable laws, regulations, codes and ordinances. You must secure and maintain in force all required licenses, including a liquor license, permits and certificates relating to your Restaurant. In the event your liquor license is suspended for more than 3 days but not revoked, we reserve the right to charge you the 4% Continuing Fee on the Gross Sales you would have received on the lost liquor, beer

and wine sales during the license suspension. We will estimate the Gross Sales based on the prior year's Gross Sales for the suspension period.

You acknowledge that you are an independent business and responsible for control and management of your Restaurant, including, but not limited to, the hiring and discharging of your employees and setting and paying wages and benefits of your employees. You acknowledge that we have no power, responsibility or liability in respect to the hiring, discharging, setting and paying of wages or related matters.

You must immediately notify us in writing of any claim, litigation or proceeding that arises from or affects the operation or financial condition of your Hickory River Smokehouse business or Restaurant, including any notices of health code violations or liquor license violations.

N. Participation in Internet Web Sites or Other Online Communications. We reserve the right to require you, at your expense, to participate in our Hickory River Smokehouse web site or any intranet or extranet system or other online communications that we may develop in the future. We may require you to submit to us daily reports via the online communications as we designate. We have the right to determine the content and use of our web site and any intranet or extranet system and will establish the rules under which franchisees may or must participate. You may not separately register any domain name containing any of the Trademarks or operate any web site offering goods or services similar to those offered at a Hickory River Smokehouse restaurant. We retain all rights relating to our web site and any intranet or extranet system and may alter or terminate our web site, intranet or extranet. Your general conduct on our web site or other online communications and specifically your use of the Trademarks or any marketing is subject to the provisions of this Agreement. You acknowledge that certain information related to your participation in our web site or any intranet or extranet system may be considered Confidential Information, including access codes and identification codes. Your right to participate in our web site and any intranet or extranet system, or otherwise use the Trademarks or System on the internet or other online communications, will terminate when this Agreement expires or terminates.

O. System Modifications. You acknowledge and agree that we have the right to modify, add to or rescind any requirement, standard or specification that we prescribe under this Agreement to adapt the System to changing conditions competitive circumstances, business strategies, business practices and technological innovations and other changes as we deem appropriate. You must comply with these modifications, additions or rescissions at your expense, subject to the requirements of subsection 5.E and any other express limitations set forth in this Agreement.

P. Suggested Pricing Policies. We may, from time to time, make suggestions to you with regard to your pricing policies. Notwithstanding any suggestions, you have the sole and exclusive right as to the minimum prices you charge for the services offered at the Restaurant. We retain the right to establish maximum prices to be charged by you for sales promotions or otherwise, but any exercise of that right will be specifically set forth in writing. Any list or schedule of prices we furnish to you may, unless otherwise specifically stated as to the maximum price, be treated as a recommendation only and failure to accept or implement any such suggestion will not in any way affect the relationship between you and us.

## PERSONNEL AND SUPERVISION STANDARDS

7. The following provisions and conditions control with respect to personnel, training and supervision:

A. Supervision. You must have a Certified Manager at all times during the term of this Agreement, who must meet the requirements set forth in subsection 1.A. The Certified Manager may be, but is not required to be, a Principal Owner. If your Certified Manager is not a Principal Owner, we must approve the Certified Manager in advance. Your Certified Manager may necessitate that the Certified Manager travel to a location that we designate. In that case, you will be solely responsible for paying all travel, living and other expenses, wages, and benefits associated with your Certified Manager's visit. The Certified Manager must ensure that the Restaurant is operated in accordance with the terms and conditions of this Agreement, although this in no way relieves you of your responsibilities to do so. Your Certified Manager must be readily and continuously available to us. In addition to the Certified Manager, you must have at least 2 assistant managers at all times during the term of this Agreement.

If your Certified Manager is not a Principal Owner, one or more of your Principal Owners must attend and successfully complete all required training, as set forth in subparagraphs 7.B and C. Your Certified Manager and your assistant managers must also attend and successfully complete all required training, as set forth in subparagraphs 7.B and C.

B. Training. You must, at your expense, comply with all of the training requirements we prescribe for the Restaurant to be developed under this Agreement. We may require the Principal Owner, the Certified Manager and the assistant managers to attend training and complete training to our satisfaction. Training will take place at a training restaurant or at another location we designate. The training requirements may vary depending on the experience of the Principal Owner and Certified Manager or other factors specific to the Restaurant. In the event you are given notice of default as set forth in subparagraphs 13.A and B and the default relates, in whole or in part, to your failure to meet any operational standards, we have the right to require as a condition of curing the default that you, the Principal Owner and the Certified Manager, at your expense, comply with the additional training requirements we prescribe. Any new Principal Owner or Certified Manager must comply with our training requirements within a reasonable time as we specify. You will be responsible for all costs of such training, including payment to us of the then-current tuition fee, if any. Under no circumstances may you permit management of the Restaurant's operations on a regular basis by a person who has not successfully completed to our reasonable satisfaction all applicable training we require. Additionally, we or our designated representative will provide you with training at your Restaurant, in connection with the Opening Team services described in Section 2.C above.

C. Ongoing Training. We may require the Principal Owner, Certified Manager, and other key employees of the Restaurant to attend, at your expense, ongoing training at our training facility, the Authorized Location or other location we designate. In addition, we may develop and require you to purchase an in-restaurant training program.

D. Staffing. You will employ a sufficient number of competent and trained employees to ensure efficient service to your customers and you will be exclusively responsible for the terms of their employment, work hours and compensation. At least one Certified Manager must be present at and actively supervising the Restaurant at any time it is open for

business. You must require all your employees to work in clean uniforms approved by us, but furnished at your cost or the employees' cost as you may determine. No employee of yours will be subject to our control or be deemed to be an employee of ours for any purpose whatsoever.

E. Attendance at Meetings. The Principal Owner must attend, at your expense, all annual franchise conventions we may hold or sponsor and all meetings relating to new products or product preparation procedures, new operational procedures or programs, training, restaurant management, sales or sales promotion, or similar topics. If the Principal Owner is not able to attend a meeting or convention, he or she must so notify us prior to the meeting and must have a substitute person acceptable to us attend the meeting.

## MARKETING

8. You agree to actively promote your Restaurant, to abide by all of our marketing requirements and to comply with the following provisions:

A. National Marketing Fund. You must pay to us a National Marketing Fee as set forth in subsection 9.C. All National Marketing Fees will be placed in a National Marketing Fund that we own and manage. On behalf of our company and affiliate owned restaurants (except for "Special Sites"), we will pay the same National Marketing Fee as similarly situated franchised restaurants (based on age and type of location) in the same local marketing area. The National Marketing Fund is not a trust or escrow account, and we have no fiduciary obligation to franchisees with respect to the National Marketing Fund; provided, however, we will make a good faith effort to expend such fees in a manner that we determine is in the general best interests of the System. We have the right to determine the expenditures of the amounts collected and the methods of marketing, advertising, media employed and contents, terms and conditions of marketing campaigns and promotional programs. Because of the methods used, we are not required to spend a prorated amount on each restaurant or in each advertising market. We have the right to make disbursements from the National Marketing Fund for expenses incurred in connection with the cost of formulating, developing and implementing marketing, advertising and promotional campaigns. The disbursements may include payments to us for the expense of administering the National Marketing Fund, including accounting expenses and salaries and benefits paid to our employees engaged in the marketing functions. If requested, we will provide you an annual unaudited statement of the financial condition of the National Marketing Fund. We will not use any of the National Marketing Fund for the solicitation of franchise sales. In addition, we will not use the National Marketing Fund to pay our legal fees, unless we incur such legal fees in connection with marketing efforts on behalf of the System, including the production of advertising and promotional material.

B. Required Local Expenditures, Approved Materials. You must use your best efforts to promote and advertise the Restaurant and participate in any local marketing and promotional programs we establish from time to time. In addition to the National Marketing Fee, you are required to spend 1% of your Gross Sales on approved local marketing and promotion. You are required use our designated advertising agency or our management, as we determine, to conduct approved marketing activities relating to your Restaurant, including the creation of an annual marketing plan, which we must approve. Payments to our designated advertising agency or management company qualify as expenditures for the purposes of the minimum local advertising expenditure requirement under this subsection. Upon our request you must provide us with itemization and proof of marketing and an accounting of the monies that you have spent for approved local marketing. If you fail to make the required expenditure, we have the right to collect the deficiency from you and contribute it to the National Marketing Fund. You must use only such marketing materials as we furnish,

approve or make available, and the materials must be used only in a manner that we prescribe. Furthermore, any promotional activities you conduct in the Restaurant or on its premises are subject to our approval. Discounts on food, beverages, or other items sold at the Restaurant do not qualify as expenditures for the purposes of the minimum local advertising expenditure requirement.

We will not unreasonably withhold approval of any sales promotion materials and activities; provided that they are current, in good condition, in good taste and accurately depict the Trademarks. You must use point-of-sale posters or other promotional materials that depict any of the Trademarks only in connection with your sale of approved Menu Items at the Restaurant. Any point-of-sale posters or other promotional materials used by you must be current and in good condition. To that end, we may make available at a reasonable cost to you annually or at other reasonable intervals, and when made available you must purchase, a sales promotion kit containing new point-of-sale and other promotional materials; however, the cost of the sales promotion kit may be included from time to time as determined by us in the National Marketing Fee described in subsection 9.C.

C. Marketing Cooperatives. We have the right to form, organize, maintain and otherwise make use of local marketing cooperatives and, if formed or organized for the market that includes your Restaurant, you must direct your local marketing expenditures to the cooperative advertising and marketing programs in your designated local marketing market. Each Hickory River Smokehouse restaurant (except Special Sites) within a designated local marketing area will be a member of the local marketing group and each restaurant will have one vote on all matters requiring a vote. Each advertising cooperative will be required to adopt written governing documents that meet our approval. If a majority of the restaurants in your designated marketing market votes to spend more than the minimum 1% of Gross Sales on local marketing and promotion within the area, you will be required to participate; provided, however, that you will not be required to spend more than a total of 2% of Gross Sales for local marketing. We have the right to require local and regional marketing cooperatives to be formed, changed, dissolved or merged.

D. Telephone Directory. You must place a separate listing, or participate in a joint listing, in your local telephone directory. The listing must contain such copy and proper use of the Trademarks as we specify. The cost of the listing must be paid by you or, in the case of a joint listing, by you and other participating Hickory River Smokehouse restaurants. Your cost to advertise in the telephone directory as we direct will be included as part of your local marketing requirements under subsection 8.B.

E. Gift Cards, Certificates and Checks. You must use and honor only system-wide gift cards, certificates and checks that we designate and you must obtain all certificates, cards or checks from an approved supplier. We reserve the right to develop a gift card program and may require that you sign a participation agreement with the card provider.

F. Grand Opening Promotion. You must conduct certain marketing and public relations activities in connection with the opening of your Restaurant, as we specify in writing. We require you to spend, in addition to the required local marketing contribution described above, at least \$10,000 for such grand opening activities. We have the right to require you to use our designated advertising agency for your grand opening activities. We have the right, but not the obligation, to collect and administer these funds on your behalf.

## FEES, REPORTING AND AUDIT RIGHTS

9. You must pay the fees described below and comply with the following provisions:

A. Initial Franchise Fee. You must pay to us a nonrefundable Initial Franchise Fee of \$30,000. The Initial Franchise Fee, payable in full on the date you sign this Agreement, is earned upon receipt and is in consideration for our expenses incurred and services rendered in granting you the franchise rights.

B. Continuing Fee. In addition to the Initial Franchise Fee, during the full term of this Agreement and in consideration of the rights granted to you, you must pay to us as a weekly Continuing Fee an amount equal to 5% of Gross Sales.

C. National Marketing Fee. You must pay to us a weekly National Marketing Fee in an amount equal to 3% of Gross Sales. The fees are not held by us in trust and become our property to be spent in accordance with Section 8 of this Agreement.

D. Computations and Remittances. Except for the Initial Franchise Fee, you must compute all amounts due and owing at the end of each week's operation. For purposes of computing these amounts, the week is deemed to begin on Monday and end on the following Sunday. Remittance for the amounts must be made to us on or before the Monday following each week, accompanied by the reports required by subsection 9.H of this Agreement. You must certify the computation of the amounts in the manner and form that we specify, and you must supply to us any supporting or supplementary materials as we reasonably require to verify the accuracy of remittances. You waive any and all existing and future claims and offsets against any amounts due under this Agreement, which amounts you must pay when due. We have the right to apply or cause to be applied against amounts due to us or any of our affiliates any amounts that we or our affiliates may hold from time to time on your behalf or that we or our affiliates owe to you. Further, if you are delinquent in the payment of any amounts owed to us, we have the right to require you to prepay estimated Continuing Fees and National Marketing Fees.

E. Electronic Transfer of Funds. You must sign an electronic transfer of funds authorization, attached as Appendix C, to authorize and direct your bank or financial institution to transfer electronically, on a weekly basis, directly to our account or our affiliates' account and to charge to your account all amounts due to us or our affiliates. You must maintain a balance in your account sufficient to allow us and our affiliates to collect the amounts owed when due. You are responsible for any penalties, fines or other similar expenses associated with the transfer of funds described in this subparagraph.

F. Interest Charges; Late Fees. Any and all amounts that you owe to us or to our affiliates will bear interest at the rate of 18% per annum or the maximum contract rate of interest permitted by governing law, whichever is less, from and after the date of accrual. In addition to interest charges on late Continuing Fee and National Marketing Fee payments, you must pay to us a service charge of \$100 for each delinquent report or payment that you owe to us under this Agreement. A payment is delinquent for any of the following reasons: (i) we do not receive the payment on or before the date due; or (ii) there are insufficient funds in your bank account to collect the payment by a transfer of funds on or after the date due. The service charge is not interest or a penalty, it is only to compensate us for increased administrative and management costs due to late payment.

G. Financial Planning and Management. You must record daily all sales on the point-of-sale (“POS”) system that we designate for Hickory River Smokehouse restaurants. You must keep books and records and submit reports as we periodically require, including but not limited to a monthly profit plan, monthly balance sheet and monthly statement of profit and loss, records of prices and special sales, check registers, purchase records, invoices, sales summaries and inventories, sales tax records and returns, payroll records, cash disbursement journals and general ledger, all of which must accurately reflect the operations and condition of your Restaurant operations. You must compile, keep and submit to us the books, records and reports to us on the forms and using the methods of bookkeeping and accounting as we periodically may prescribe. The records that you are required to keep for your Restaurant must include detailed daily sales, cost of sales, and other relevant records or information maintained in an electronic media format and methodology we approve. You must provide this information to us according to reporting formats, methodologies and time schedules that we establish from time to time. You also must preserve and retain the books, records and reports for not less than 36 months. You must allow us electronic and manual access to any and all records relating to your Restaurant.

H. Reports and Audit. You must verify the accuracy of the Gross Sales figure on Wednesday of each week for the preceding week. We reserve the right to require you to submit a report of your Gross Sales daily via computer. Within 10 days after the end of each month, you must submit to us a report in the form and content as we periodically prescribe. The report must include, but need not be limited to, the following information for the preceding month: (i) amount of Gross Sales; and (ii) if we request, monthly sales summary and monthly balance sheet and statement of profit and loss, including a summary of your costs for utilities, labor, rent and other material cost items. You also must, at your expense, submit to us within 90 days after the end of each fiscal year a detailed balance sheet, profit and loss statement and statement of cash flows for such fiscal year, prepared on an accrual basis including all adjustments necessary for fair presentation of the financial statements. We may require that the annual financial statements be reviewed by a certified public accountant. You must certify all reports to be true and correct. You acknowledge and agree that we have the right to impose these requirements on you regardless of whether we impose the same requirements on our other franchisees.

We or our authorized representative have the right at all times during the business day to enter the premises where your books and records relative to the Restaurant are kept and to evaluate, copy and audit such books and records. We also have the right to request information from your suppliers and vendors. In the event that any such evaluation or audit reveals any understatement of your Gross Sales, Continuing Fees or National Marketing Fees or a variance of 2% or more from data reported to us in respect to any other item that is material to the computation of fees or to the analysis of the operation, you must pay for the audit, and in addition to any other rights we may have, we have the right to conduct further periodic audits and evaluations of your books and records as we reasonably deem necessary for up to 2 years thereafter and any further audits and evaluations will be at your sole expense, including, without limitation, professional fees, travel, and room and board expenses directly related thereto. Furthermore, if you intentionally understate or underreport Gross Sales, Continuing Fees or National Marketing Fees at any time, or if a subsequent audit or evaluation conducted within the 2-year period reveals any understatement of your Gross Sales, Continuing Fees or National Marketing Fees or a variance of 2% or more from data reported to us in respect to any other item that is material to the computation of fees or to the analysis of the operation, in addition to any other remedies provided for in this Agreement, at law or in equity, we have the right to terminate this Agreement immediately. In order to verify the information that you supply, we have the right to reconstruct your sales through the inventory extension method or any other reasonable method of analyzing and reconstructing sales. You agree to accept any such

reconstruction of sales unless you provide evidence in a form satisfactory to us of your sales within a period of 14 days from the date of notice of understatement or variance.

We will keep your financial books, records and reports confidential, unless the information is requested by tax authorities or used as part of a legal proceeding or in a manner as set forth in subsection 11.D.8 or where your information is grouped with similar information from other restaurants to produce shared results like high-low ranges or average gross sales or expenses on a system-wide or regional basis.

#### YOUR OTHER OBLIGATIONS; NONCOMPETE COVENANTS

10. You agree to comply with the following terms and conditions:

A. Payment of Debts. You agree to pay promptly when due: (i) all payments, obligations, assessments and taxes due and payable to us and our affiliates, vendors, suppliers, lessors, federal, state or local governments, or creditors in connection with your business; (ii) all liens and encumbrances of every kind and character created or placed upon or against any of the property used in connection with the Restaurant or business; and (iii) all accounts and other indebtedness of every kind incurred by you in the conduct of the Restaurant or business. In the event you default in making any such payment, we are authorized, but not required, to pay the same on your behalf and you agree promptly to reimburse us on demand for any such payment.

B. Indemnification. You hereby waive all claims against us for damages to property or injuries to persons arising out of the operation of your Restaurant. You must fully protect, indemnify and hold us and our owners, directors, officers, successors, assigns and affiliates (collectively the "Indemnified Parties") harmless from and against any and all claims, demands, damages and liabilities of any nature whatsoever arising in any manner, directly or indirectly, out of or in connection with or incidental to the operation of your Restaurant (regardless of cause or any concurrent or contributing fault or negligence of us or our affiliates) or any breach by you or your failure to comply with the terms and conditions of this Agreement. The Indemnified Parties also reserve the right to select their own legal counsel to represent our interests, and you must reimburse the Indemnified Parties for our costs and attorneys' fees immediately upon request as they are incurred.

We hereby waive all claims against you for damages to property or injuries to persons arising out of the operation of our company or affiliate owned restaurants. We must fully protect, indemnify and defend you and your affiliates and hold you and them harmless from and against any and all claims, demands, damages and liabilities of any nature whatsoever arising in any manner, directly or indirectly, out of or in connection with or incidental to the operation of our company or affiliate owned restaurants (regardless of cause or any concurrent or contributing fault or negligence of you) or any breach by us or our failure to comply with the terms and conditions of this Agreement.

C. Insurance. You must purchase and maintain in full force and effect, at your expense and from a company with an A.M. Best rating of A- or better, insurance that insures both you and us, our affiliates and any other persons we designate by name. The insurance policies must include, at a minimum: (i) special/causes of loss coverage forms (sometimes called "All Risk coverage") on the Restaurant and all fixtures, equipment, supplies and other property used in the operation of the Restaurant, for full repair and replacement value of the machinery, equipment, betterments and improvements, including full coverage for loss of income resulting from damage to the Restaurant without any co-insurance clause, except that an appropriate deductible clause is permitted; (ii) business interruption insurance covering a



minimum 12 months loss of income, including coverage for our Continuing Fees with us named as a loss payee with respect to those fees; (iii) comprehensive general liability insurance, including product liability insurance, with minimum limits of \$1,000,000 per occurrence and \$2,000,000 aggregate; (iv) dram shop liability coverage with minimum limits of \$1,000,000 per occurrence and \$2,000,000 aggregate; (v) "Per Location" aggregate limits when multiple restaurant locations are insured under one comprehensive general liability policy and/or liquor liability policy(ies); (vi) automobile liability insurance, including owned, hired and non-owned vehicle coverage with a minimum combined single limit of \$500,000 per claim (vii) workers' compensation and employer's liability insurance covering all of your employees (viii) umbrella liability insurance which also includes dram shop liability, employers liability and automobile liability limits of \$2,000,000 or more; (ix) us and our affiliates as named additional insureds on all liability policies required by this subparagraph; (x) any other such insurance coverages or amounts as required by law or other agreement related to the Restaurant.

The required insurance coverage must commence as of the date the building lease or building purchase agreement has been signed for your Authorized Location. You must deliver to us at commencement and thereafter annually or at our request a proper certificate evidencing the existence of such insurance coverage and your compliance with the provisions of this subparagraph. The insurance certificate must show the required additional insureds (as noted in (ix) above) and provide that we will be given 30 days' prior written notice of material change in or termination or cancellation of the policy. We also may request copies of all policies. We may modify the required minimum limits from time to time and by written notice to you, as conditions require, to reflect changes in relevant circumstances, industry standards, experiences in the Hickory River Smokehouse system, standards of liability and higher damage awards. If you do not procure and maintain the insurance coverage required by this Agreement, we have the right, but not the obligation, to procure insurance coverage and to charge same to you, together with a reasonable fee for the expenses we incur in doing so, payable by you immediately upon notice.

D. Noncompete Covenants. You agree that you will receive valuable training and Confidential Information that you otherwise would not receive or have access to but for the rights licensed to you under this Agreement. You therefore agree to the following noncompetition covenants:

1. Unless otherwise specified, the term "you" as used in this subsection 10.D includes, collectively and individually, your Principal Owner, all guarantors, officers, directors, members, managers, partners, as the case may be, and holders of any ownership interest in you. We may require you to obtain from your Principal Owner and other individuals identified in the preceding sentence a signed non-compete agreement in a form satisfactory to us that contains the non-compete provisions of this subsection 10.D.

2. You covenant that during the term of this Agreement you will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, own, manage, operate, maintain, engage in, consult with or have any interest in any restaurant or food business other than one authorized by this Agreement or any other agreement between us and you, except if, at the Effective Date of this Agreement, you operate or hold an interest in a restaurant or food business other than a casual or fast casual restaurant.

3. You covenant that you will not, for a period of 2 years after the expiration or termination of this Agreement, regardless of the cause of termination, or within 2 years of the sale of the Restaurant or any interest in you, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, own, manage, operate, maintain, engage in, consult with or have any interest in a casual or fast casual restaurant that sells or offers to dispense prepared food products that are the same as or similar to the type of products sold in Hickory River Smokehouse restaurants, including, but not limited to, barbecue food products:

- a. At the premises of the former Restaurant;
- b. Within a 5-mile radius of the former Restaurant; or
- c. Within a 5-mile radius of the location of any other business or restaurant using the Hickory River Smokehouse System, whether franchised or owned by us or our affiliates.

4. You agree that the length of time in subpart (3) will be tolled for any period during which you are in breach of the covenants or any other period during which we seek to enforce this Agreement. The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement.

#### TRANSFER OF FRANCHISE

11. You agree that the following provisions govern any transfer or proposed transfer:

A. Transfers. We have entered into this Agreement with specific reliance upon your financial qualifications, experience, skills and managerial qualifications as being essential to the satisfactory operation of the Restaurant. Consequently, neither your interest in this Agreement nor in the Restaurant may be transferred or assigned to or assumed by any other person or entity (the “assignee”), in whole or in part, unless you have first tendered to us the right of first refusal to acquire this Agreement in accordance with subsection 11.F, and if we do not exercise such right, unless our prior written consent is obtained, the transfer fee provided for in subsection 11.C is paid, and the transfer conditions described in subsection 11.D are satisfied. Any sale (including installment sale), lease, pledge, management agreement, contract for deed, option agreement, assignment, bequest, gift or otherwise, or any arrangement pursuant to which you turn over all or part of the daily operation of the business to a person or entity who shares in the losses or profits of the business in a manner other than as an employee will be considered a transfer for purposes of this Agreement. Specifically, but without limiting the generality of the foregoing, the following events constitute a transfer and you must comply with the right of first refusal, consent, transfer fee, and other transfer conditions in this Section 11:

1. Any change (or any series of changes) in the percentage of the franchisee entity owned, directly or indirectly, by any Principal Owner (including any addition or deletion of any person or entity who qualifies as a Principal Owner) which results in a change in 25% or more of the ownership of the franchisee entity or any series of changes in the percentage of the franchisee entity owned, directly or indirectly, by any Principal Owner (including any addition or deletion of any person or entity who qualifies as a Principal Owner) that results within a period of 3 years in any change in 25% or more of the ownership of the franchisee;

2. Any change in the general partner of a franchisee that is a general, limited or other partnership entity; or

3. For purposes of this subsection 11.A, a pledge or seizure of any ownership interests in the franchisee entity or in any Principal Owner that affects the ownership of 25% or more of you or Principal Owner, which we have not approved in advance in writing.

In the event of your insolvency or the filing of any petition by or against you under any provisions of any bankruptcy or insolvency law, if your legal representative, successor, receiver or trustee desires to succeed to your interest in this Agreement or the business conducted hereunder, such person first must notify us, tender the right of first refusal provided for in subsection 11.F, and if we do not exercise such right, must apply for and obtain our consent to the transfer, pay the transfer fee provided for in subsection 11.C, and satisfy the transfer conditions described in subsection 11.D. In addition, you or the assignee must pay the attorneys' fees and costs that we incur in any bankruptcy or insolvency proceeding pertaining to you.

You may not place in, on or upon the location of the Restaurant, or in any communication media or any form of marketing, any information relating to the sale of the Restaurant or the rights under this Agreement, without our prior written consent.

B. Consent to Transfer. We will not unreasonably withhold our consent to transfer, provided we determine that all of the conditions described in this Section 11 have been satisfied. Application for our consent to a transfer and tender of the right of first refusal provided for in subsection 11.F must be made by submission of our form of application for consent to transfer, which must be accompanied by the documents (including a copy of the proposed purchase or other transfer agreement) or other required information. The application must indicate whether you or a Principal Owner proposes to retain a security interest in the property to be transferred. No security interest may be retained or created, however, without our prior written consent and except upon conditions acceptable to us. Any agreement used in connection with a transfer shall be subject to our prior written approval, which approval will not be withheld unreasonably. You immediately must notify us of any proposed transfer and must submit promptly to us the application for consent to transfer. Any attempted transfer by you without our prior written consent or otherwise not in compliance with the terms of this Agreement will be void and will provide us with the right to elect either to default and terminate this Agreement or to collect from you and the guarantors a transfer fee equal to 2 times the transfer fee provided for in subsection 11.C.

C. Transfer Fee. You must pay to us a transfer fee equal to one-half of our then-current Initial Franchise Fee at the time you submit an application for consent to transfer.

D. Conditions of Transfer. We condition our consent to any proposed transfer, whether to an individual, a corporation, a partnership or any other entity upon the following:

1. Assignee Requirements. The assignee must meet all of our then-current requirements for one of the franchise development programs we are offering at the time of the proposed transfer and must agree to execute our then-current form of Franchise Agreement and related agreements.

2. Payment of Amounts Owed. All amounts owed by you to us or any of our affiliates, your suppliers or any landlord for the Restaurant premises and

Authorized Location, or upon which we or any of our affiliates have any contingent liability must be paid in full.

3. Reports. You must have provided all required reports to us in accordance with subparagraphs 9.G and H.

4. Modernization. You must have complied with the provisions of subsection 5.E.

5. Guarantee. In the case of an installment sale for which we have consented to you or any Principal Owner retaining a security interest or other financial interest in this Agreement or the business operated thereunder, you or such Principal Owner, and the guarantors, are obligated to guarantee the performance under this Agreement until the final close of the installment sale or the termination of such interest, as the case may be.

6. General Release. You, each Principal Owner and each guarantor must sign a general release of all claims arising out of or relating to this Agreement, your Restaurant or the parties' business relationship, in the form we designate, releasing us and our affiliates.

7. Training. The assignee must, at your or assignee's expense, comply with the training requirements of subsection 7.B.

8. Financial Reports and Data. We have the right to require you to prepare and furnish to assignee and/or us such financial reports and other data relating to the Restaurant and its operations as we deem reasonably necessary or appropriate for assignee and/or us to evaluate the Restaurant and the proposed transfer. You agree that we have the right to confer with proposed assignees and furnish them with information concerning the Restaurant and proposed transfer without being held liable to you, except for intentional misstatements made to an assignee. Any information furnished by us to proposed assignees is for the sole purpose of permitting the assignees to evaluate the Restaurant and proposed transfer and must not be construed in any manner or form whatsoever as earnings claims or claims of success or failure.

9. Other Conditions. You must have complied with any other conditions that we reasonably require from time to time as part of our transfer policies.

E. Death, Disability or Incapacity. If any individual who is a Principal Owner dies or becomes disabled or incapacitated and the decedent's or disabled or incapacitated person's heir or successor-in-interest wishes to continue as a Principal Owner, such person or entity must apply for our consent under subsection 11.B, comply with the training requirements of subsection 7.B if the Principal Owner also was the Principal Owner (unless the heir or successor-in-interest finds another Principal Owner to qualify as the Principal Owner), pay the applicable transfer fee under subsection 11.C, and satisfy the transfer conditions under subsection 11.D, as in any other case of a proposed transfer, all within 180 days of the death or event of disability or incapacity. During any transition period to an heir or successor-in-interest, the Restaurant still must be operated in accordance with the terms and conditions of this Agreement. If the assignee of the decedent or disabled or incapacitated person is the spouse or child of such person, no transfer fee will be payable to us and we will not have a right of first refusal as set forth in subsection 11.F.

F. Right of First Refusal. If you propose to transfer or assign this Agreement or your interest herein or in the business, in whole or in part, to any third party, including, without limitation, any transfer contemplated by subsection 11.E or any transfer described in subsection 11.A, you first must offer to sell to us your interest. In the event of a bona fide offer from such third party, you must obtain from the third-party offeror and deliver to us a statement in writing, signed by the offeror and by you, of the terms of the offer. In the event the proposed transfer results from a change in control of the franchisee or a Principal Owner under subparagraphs 11.A.1 through 11.A.3, or your insolvency or the filing of any petition by or against you under any provisions of any bankruptcy or insolvency law, you first must offer to sell to us your interest in this Agreement and the land, building, equipment, furniture and fixtures, and any leasehold interest used in the operation of your Restaurant. Unless otherwise agreed to in writing by us and you, the purchase price for our purchase of assets in the event of a transfer that occurs by a change in control or insolvency or bankruptcy filing will be established by a qualified appraiser selected by the parties and in accordance with the price determination procedure established in subsection 14.B in connection with an asset purchase upon expiration. In addition, unless otherwise agreed to in writing by us and you, the transaction documents, which we will prepare, will be those customary for this type of transaction and will include representations and warranties then customary for this type of transaction. If the parties cannot agree upon the selection of such an appraiser, a Judge of the United States District Court for the District in which the Authorized Location is located will appoint one upon petition of either party.

You or your legal representative must deliver to us a statement in writing incorporating the appraiser's report and all other information we have requested. We then have 45 days from our receipt of the statement setting forth the third-party offer or the appraiser's report and other requested information to accept the offer by delivering written notice of acceptance to you. Our acceptance of any right of first refusal will be on the same price and terms set forth in the statement delivered to us; provided, however, we have the right to substitute equivalent cash for any noncash consideration included in the offer. If we fail to accept the offer within the 45-day period, you will be free for 60 days after such period to effect the disposition described in the statement delivered to us provided such transfer is in accordance with this Section 11. You may effect no other sale or assignment of you, this Agreement or the business without first offering the same to us in accordance with this subsection 11.F.

G. Transfer by Us. We have the right to sell or assign, in whole or in part, our rights, obligations and/or interest in this Agreement, provided the assignee agrees in writing to assume our obligations. Upon such assignment, we will have no further obligation to you.

## DISPUTE RESOLUTION

12. The following provisions apply with respect to dispute resolution:

A. Arbitration; Mediation. Except as qualified below, any dispute between you and us or any of our or your affiliates arising under, out of, in connection with or in relation to this Agreement, any lease or sublease for the Restaurant or Authorized Location, the parties' relationship, or the business must be submitted to binding arbitration under the authority of the Federal Arbitration Act and must be arbitrated in accordance with the then-current rules and procedures and under the auspices of the American Arbitration Association. The arbitration must take place in Okaloosa County, Florida or at such other place as may be mutually agreeable to the parties. Any arbitration must be resolved on an individual basis and not joined as part of a class action or the claims of other parties. The arbitrators must follow the law and not disregard the terms of this Agreement. The arbitrators appointed must have at least 5 years'

experience in franchising or in franchise law. The decision of the arbitrators will be final and binding on all parties to the dispute; however, the arbitrators may not under any circumstances: (i) stay the effectiveness of any pending termination of this Agreement; (ii) assess punitive or exemplary damages; or (iii) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance that we set. A judgment may be entered upon the arbitration award by any state or federal court in Illinois or the state of the Authorized Location.

Before the filing of any arbitration, the parties agree to mediate any dispute that does not include injunctive relief or specific performance actions covered under subsection 12.B, provided that the party seeking mediation notify the other party of its intent to mediate prior to the termination of this Agreement. Mediation will be conducted by a mediator or mediation program agreed to by the parties. Persons authorized to settle the dispute must attend any mediation session. The parties agree to participate in the mediation proceedings in good faith with the intention of resolving the dispute if at all possible within 30 days of the notice from the party seeking to initiate the mediation procedures. If not resolved within 30 days, the parties are free to pursue arbitration. Mediation is a compromise negotiation for purposes of the federal and state rules of evidence, and the entire process is confidential.

B. Injunctive Relief. Notwithstanding subsection 12.A above, you recognize that the Restaurant is one of a large number of restaurants and stores identified by the Trademarks and similarly situated and selling to the public similar products, and the failure on the part of a single franchisee to comply with the terms of its agreement could cause irreparable damage to us and/or to some or all of our other franchisees. Therefore, it is mutually agreed that in the event of a breach or threatened breach of any of the terms of this Agreement by you, we will forthwith be entitled to an injunction restraining such breach or to a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining said equitable relief, until such time as a final and binding determination is made by the arbitrators. Similarly, it is mutually agreed that in the event of our breach or threatened breach of any of the terms of this Agreement, you will forthwith be entitled to an injunction restraining such breach or to a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining said equitable relief, until such time as a final and binding determination is made by the arbitrators. The foregoing equitable remedies are in addition to, and not in lieu of, all other remedies or rights that the parties might otherwise have by virtue of any breach of this Agreement by the other party. Finally, we and our affiliates have the right to commence a civil action against you or take other appropriate action for the following reasons: to compel your compliance with trademark standards and requirements to protect the goodwill of the Trademarks; to compel you to compile and submit required reports to us; or to permit evaluations or audits authorized by this Agreement.

C. Attorneys' Fees. The prevailing party in any action or proceeding arising under, out of, in connection with, or in relation to this Agreement, any lease or sublease for the Restaurant or Authorized Location, or the business will be entitled to recover its reasonable attorneys' fees and costs.

## DEFAULT AND TERMINATION

13. The following provisions apply with respect to default and termination:

A. Defaults. You are in default if we determine that you or any Principal Owner or guarantor has breached any of the terms of this Agreement or any other agreement between

you and us or our affiliates, which without limiting the generality of the foregoing includes making any false report to us, intentionally understating or underreporting or failure to pay when due any amounts required to be paid to us or any of our affiliates, conviction of you, a Principal Owner, or a guarantor of (or pleading no contest to) any misdemeanor that brings or tends to bring any of the Trademarks into disrepute or impairs or tends to impair your reputation or the goodwill of any of the Trademarks or the Restaurant, any felony, filing of tax or other liens that may affect this Agreement, voluntary or involuntary bankruptcy by or against you or any Principal Owner or guarantor, insolvency, making an assignment for the benefit of creditors or any similar voluntary or involuntary arrangement for the disposition of assets for the benefit of creditors.

B. Termination by Us. We have the right to terminate this Agreement in accordance with the following provisions:

1. Termination After Opportunity to Cure. Except as otherwise provided in this subsection 13.B: (i) you will have 30 days from the date of our issuance of a written notice of default to cure any default under this Agreement, other than a failure to pay amounts due or submit required reports, in which case you will have 10 days to cure those defaults; (ii) your failure to cure a default within the 30-day or 10-day period will provide us with good cause to terminate this Agreement; (iii) the termination will be accomplished by mailing or delivering to you written notice of termination that will identify the grounds for the termination; and (iv) the termination will be effective immediately upon our issuance of the written notice of termination.

2. Immediate Termination With No Opportunity to Cure. In the event any of the following defaults occurs, you will have no right or opportunity to cure the default and this Agreement will terminate effective immediately on our issuance of written notice of termination: any material misrepresentation or omission in your franchise application, your voluntary abandonment of this Agreement or the Authorized Location, the permanent loss or revocation of your liquor license or suspensions totaling 90 days over any 5-year period, the loss of your lease, the failure to timely cure a default under the lease, the loss of your right of possession or failure to reopen or relocate under subsection 5.D, the closing of the Restaurant by any state or local authorities for health or public safety reasons, any unauthorized use of the Confidential Information by you, a Principal Owner, the Principal Owner or a guarantor, insolvency of you, a Principal Owner, the Principal Owner or a guarantor, making an assignment or entering into any similar arrangement for the benefit of creditors, conviction of you, a Principal Owner, the Principal Owner, or a guarantor of (or pleading no contest to) any felony or misdemeanor that brings or tends to bring any of the Trademarks into disrepute or impairs or tends to impair your reputation or the goodwill of the Trademarks or the Restaurant, intentionally understating or underreporting Gross Sales, Continuing Fees or National Marketing Fees or any understatement or 2% variance on a subsequent audit within a 2-year period under subsection 9.H, any unauthorized transfer or assignment in violation of Section 11, any default which is incurable in nature, and any default by you that is the second same or similar default within any 12-month consecutive period or the fourth default of any type within any 24-month consecutive period.

3. Immediate Termination After No More than 24 Hours to Cure. In the event that a default under this Agreement occurs that materially impairs the goodwill associated with any of the Trademarks, violates any health safety or

sanitation law or regulation, violates any system standard as to food handling, cleanliness, health and sanitation, or if the operation of the Restaurant presents a health or safety hazard to your customers or to the public (for example, improper cooking or storage procedures used for food products): (i) you will have no more than 24 hours after we provide written notice of the default to cure the default; and (ii) this Agreement will terminate effective immediately on our issuance of written notice of termination.

4. Effect of Other Laws. The provisions of any valid, applicable law or regulation prescribing permissible grounds, cure rights or minimum periods of notice for termination of this franchise supersede any provision of this Agreement that is less favorable to you.

C. Termination by You. You may terminate this Agreement as a result of a breach by us of a material provision of this Agreement provided that: (i) you provide us with written notice of the breach that identifies the grounds for the breach; and (ii) we fail to cure the breach within 30 days after our receipt of the written notice. If we fail to cure the breach, the termination will be effective 60 days after our receipt of your written notice of breach. Your termination of this Agreement under this Section will not release or modify your Post-Term obligations under Section 14 of this Agreement.

#### POST-TERM OBLIGATIONS

14. Upon the expiration or termination of this Agreement:

A. Reversion of Rights; Discontinuation of Trademark Use. All of your rights to the use of the Trademarks and all other rights and licenses granted herein and the right and license to conduct business under the Trademarks at the Authorized Location will revert to us without further act or deed of any party. All of your right, title and interest in, to and under this Agreement will become our property. Upon our demand, you must assign to us or our assignee your remaining interest in any lease then in effect for the Restaurant (although we will not assume any past due obligations). You must immediately comply with the post-term noncompete obligations under subsection 10.D, cease all use and display of the Trademarks and of any proprietary material (including the Operations Manual and the product preparation materials) and of all or any portion of point-of-sale materials furnished or approved by us, assign all right, title and interest in the telephone numbers for the Restaurant and cancel or assign, at our option, any assumed name rights or equivalent registrations filed with authorities. You must pay all sums due to us, our affiliates or designees and all sums you owe to third parties that have been guaranteed by us or any of our affiliates. You must immediately return to us, at your expense, all copies of the Operations Manual and product preparation materials then in your possession or control or previously disseminated to your employees and continue to comply with the confidentiality provisions of subsection 6.J. You must promptly at your expense and subject to subsection 14.B, remove or obliterate all Restaurant signage, displays or other materials in your possession at the Authorized Location or elsewhere that bear any of the Trademarks or names or material confusingly similar to the Trademarks and so alter the appearance of the Restaurant as to differentiate the Restaurant unmistakably from duly licensed restaurants identified by the Trademarks. If, however, you refuse to comply with the provisions of the preceding sentence within 30 days, we have the right to enter the Authorized Location and remove all Restaurant signage, displays or other materials in your possession at the Authorized Location or elsewhere that bear any of the Trademarks or names or material confusingly similar to the Trademarks, and you must reimburse us for our costs incurred. Notwithstanding the foregoing, in the event of expiration or termination of this Agreement, you



will remain liable for your obligations pursuant to this Agreement or any other agreement between you and us or our affiliates that expressly or by their nature survive the expiration or termination of this Agreement.

B. Purchase Option. We have the right to purchase or designate a third party that will purchase all or any portion of the assets of your Restaurant that are owned by you or any of your affiliates including, without limitation, the building, equipment, fixtures, signage, fixtures, furnishings, supplies, leasehold improvements and inventory of the Restaurant at a price determined by a qualified appraiser (or qualified appraisers if one party believes it is better to have a real estate appraiser appraise the value of the land and building and a business appraiser appraise the Restaurant's other assets) selected with the consent of both parties, provided we give you written notice of our preliminary intent to exercise our purchase rights under this Section within 30 days after the date of the expiration or termination of this Agreement. If the parties cannot agree upon the selection of an appraiser(s), one or both will be appointed by a Judge of the United States District Court for the District in which the Authorized Location is located upon petition of either party. The price determined by the appraiser(s) will be the reasonable fair market value of the assets based on their continuing use in, as, and for the operation of a HICKORY RIVER SMOKEHOUSE® Restaurant and the appraiser will designate a price for each category of asset (e.g., land, building, equipment, fixtures, etc.), but shall not include the value of any goodwill of the business, as the goodwill of the business is attributable to the Trademarks and the System.

Within 45 days after our receipt of the appraisal report, we or our designated purchaser will identify the assets, if any, that we intend to purchase at the price designated for those assets in the appraisal report. We or our designated purchaser and you will then proceed to complete and close the purchase of the identified assets, and to prepare and execute purchase and sale documents customary for the assets being purchased, in a commercially reasonable time and manner. We and you will each pay one-half of the appraiser's fees and expenses. Our interest in the assets of the Restaurant that are owned by you or your affiliates will constitute a lien thereon and may not be impaired or terminated by the sale or other transfer of any of those assets to a third party. Upon our or our designated purchaser's exercise of the purchase option and tender of payment, you agree to sell and deliver, and cause your affiliates to sell and deliver, the purchased assets to us or our designated purchaser, free and clear of all encumbrances, and to execute and deliver, and cause your affiliates to execute and deliver, to us or our designated purchaser a bill of sale for the purchases assets and other documents as may be commercially reasonable and customary to effectuate the sale and transfer of the assets being purchased.

If we do not exercise our option to purchase under this subparagraph, you may sell or lease the Restaurant premises to a third-party purchaser, provided that your agreement with the purchaser includes a covenant by the purchaser, which is expressly enforceable by us as a third-party beneficiary, pursuant to which the purchaser agrees, for a period of 2 years after the expiration or termination of this Agreement, not to use the premises for the operation of a restaurant business that has a menu or method of operation similar to that employed by our company-owned or franchised restaurants.

C. Claims. You and your Principal Owners and guarantors may not assert any claim or cause of action against us or our affiliates relating to this Agreement or the Hickory River Smokehouse business after the shorter period of the applicable statute of limitations or one year following the effective date of termination of this Agreement; provided that where the one-year limitation of time is prohibited or invalid by or under any applicable law, then and in that event no suit or action may be commenced or maintained unless commenced within the applicable statute of limitations.

## GENERAL PROVISIONS

15. The parties agree to the following provisions:

A. Severability. Should one or more clauses of this Agreement be held void or unenforceable for any reason by any court of competent jurisdiction, such clause or clauses will be deemed to be separable in such jurisdiction and the remainder of this Agreement is valid and in full force and effect and the terms of this Agreement must be equitably adjusted so as to compensate the appropriate party for any consideration lost because of the elimination of such clause or clauses. It is the intent and expectation of each of the parties that each provision of this Agreement will be honored, carried out and enforced as written. Consequently, each of the parties agrees that any provision of this Agreement sought to be enforced in any proceeding must, at the election of the party seeking enforcement and notwithstanding the availability of an adequate remedy at law, be enforced by specific performance or any other equitable remedy.

B. Waiver/Integration. No waiver by us of any breach by you, nor any delay or failure by us to enforce any provision of this Agreement, may be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce our rights with respect to that or any other or subsequent breach. Subject to our rights to modify Appendices and/or standards and as otherwise provided herein, this Agreement may not be waived, altered or rescinded, in whole or in part, except by a writing signed by you and us. This Agreement together with the addenda and appendices hereto and the application form executed by you requesting us to enter into this Agreement constitute the sole agreement between the parties with respect to the entire subject matter of this Agreement and embody all prior agreements and negotiations with respect to the business. You acknowledge and agree that you have not received any warranty or guarantee, express or implied, as to the potential volume, profits or success of your business. There are no representations or warranties of any kind, express or implied, except as contained herein and in the aforesaid application. However, nothing in this Agreement or any related agreement is intended to disclaim the representations made in the disclosure document that was provided to you.

C. Notices. Except as otherwise provided in this Agreement, any notice, demand or communication provided for herein must be in writing and signed by the party serving the same and either delivered personally or by a reputable overnight service or deposited in the United States mail, service or postage prepaid, and if such notice is a notice of default or of termination, by registered or certified mail, and addressed as follows:

1. If intended for us, addressed to:

Hickory River Smokehouse, Inc.  
117 Lisa Marie Place  
Shalimar, FL 32579

2. If intended for you, addressed to you at

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

or at the Authorized Location; or,

in either case, to such other address as may have been designated by notice to the other party. Notices for purposes of this Agreement will be deemed to have been received if mailed or delivered as provided in this subparagraph.

D. Authority. Any modification, consent, approval, authorization or waiver granted hereunder required to be effective by signature will be valid only if in writing executed by the Principal Owner or, if on behalf of us, in writing executed by our President or one of our authorized officers.

E. References. If the franchisee is 2 or more individuals, the individuals are jointly and severally liable, and references to “you” in this Agreement include all of the individuals. Headings and captions contained herein are for convenience of reference and may not be taken into account in construing or interpreting this Agreement.

F. Guarantee. All Principal Owners of a franchisee that is a corporation, partnership, limited liability company or partnership or other legal entity must execute the form of undertaking and guarantee at the end of this Agreement. Any person or entity that at any time after the date of this Agreement becomes a Principal Owner pursuant to the provisions of Section 11 or otherwise must execute the form of undertaking and guarantee at the end of this Agreement.

G. Successors/Assigns. Subject to the terms of Section 11 hereof, this Agreement is binding upon and inures to the benefit of the administrators, executors, heirs, successors and assigns of the parties.

H. Interpretation of Rights and Obligations. The following provisions apply to and govern the interpretation of this Agreement, the parties’ rights under this Agreement, and the relationship between the parties:

1. Applicable Law and Waiver. Subject to our rights under federal trademark laws and the parties’ rights under the Federal Arbitration Act in accordance with Section 12 of this Agreement, the parties’ rights under this Agreement, and the relationship between the parties is governed by, and will be interpreted in accordance with, the laws (statutory and otherwise) of the state in which the Authorized Location is located. You waive, to the fullest extent permitted by law, the rights and protections that might be provided through the laws of any state relating to franchises or business opportunities, other than those of the state in which the Authorized Location is located.

2. Our Rights. Whenever this Agreement provides that we have a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement, although this right does not modify the requirements of subsection 5.E and other express limitations set forth in this Agreement.

3. Our Reasonable Business Judgment. Whenever we reserve discretion in a particular area or where we agree to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise reasonable business judgment in making our decision or exercising our rights. Our decisions or actions will be deemed to be the result of reasonable business judgment even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes our financial or other individual interest. Examples of items that will promote or benefit the System

include, without limitation, enhancing the value of the Trademarks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System.

I. Venue. Any cause of action, claim, suit or demand allegedly arising from or related to the terms of this Agreement or the relationship of the parties that is not subject to arbitration under Section 12, must be brought in the Federal District Court for the Northern District of Florida (Pensacola Division) or in a Florida state court located in Okaloosa County, Florida. Both parties hereto irrevocably submit themselves to, and consent to, the jurisdiction of said courts. The provisions of this subsection will survive the termination of this Agreement. You are aware of the business purposes and needs underlying the language of this subparagraph, and with a complete understanding thereof, agree to be bound in the manner set forth. Notwithstanding the foregoing, we may bring an action for injunctive relief to enforce our trademark rights in any court having jurisdiction over you or your owners.

J. Jury Waiver. All parties hereby waive any and all rights to a trial by jury in connection with the enforcement or interpretation by judicial process of any provision of this Agreement, and in connection with allegations of state or federal statutory violations, fraud, misrepresentation or similar causes of action or any legal action initiated for the recovery of damages for breach of this Agreement.

K. Waiver of Punitive Damages. You and us and our affiliates agree to waive, to the fullest extent permitted by law, the right to or claim for any punitive or exemplary damages against the other and agree that in the event of any dispute between them, each will be limited to the recovery of actual damages sustained.

L. Relationship of the Parties. You and we are independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venturer or employee of the other. Neither party may obligate the other or represent any right to do so. This Agreement does not reflect or create a fiduciary relationship or a relationship of special trust or confidence. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party from any liability of any nature whatsoever. Neither you nor any person who works for you will be considered our employee under any circumstances.

M. Force Majeure. In the event of any failure of performance of this Agreement according to its terms by any party the same will not be deemed a breach of this Agreement if it arose from a cause beyond the control of and without the negligence of said party. Such causes include, but are not limited to, strikes, wars, riots and acts of government except as may be specifically provided for elsewhere in this Agreement.

N. Adaptations and Variances. Complete and detailed uniformity under many varying conditions may not always be possible, practical, or in the best interest of the System. Accordingly, we have the right to vary the Menu Items and other standards, specifications, and requirements for any franchised restaurant or franchisee based upon the customs or circumstances of a particular franchise or operating agreement, site or location, population density, business potential, trade area population, existing business practice, competitive circumstance or any other condition that we deem to be of importance to the operation of such restaurant or store, franchisee's business or the System. We are not required to grant to you a like or other variation as a result of any variation from standard menus, specifications or requirements granted to any other franchisee. You acknowledge that you are aware that our

other franchisees operate under a number of different forms of agreement that were entered into at different times and that, consequently, the obligations and rights of the parties to other agreements may differ materially in certain instances from your rights and obligations under this Agreement.

O. Notice of Potential Profit. We, our affiliates and our management company may from time to time make available to you goods, products and/or services for use in your Restaurant, and earn a profit on such sales. Further, we, our affiliates and our management company may from time to time receive consideration from suppliers and/or manufacturers in respect to sales of goods, products or services to you or in consideration of services rendered or rights licensed to such persons. You agree that we and/or our affiliates are entitled to said profits and/or consideration.

P. National Consumer Price Index. We may adjust the maximum modernization amount (subsection 5.E) every 10-year period, as noted in subsection 5.E, in proportion to the 10-year change in the National Consumer Price Index - All Urban Consumers as reported for each calendar year by the U.S. Department of Labor (or the successor index or agency thereto) using 2011 as the base year, and as so adjusted will apply to the maximum modernization expenditure amount, subsequent to the adjustment date but prior to the next adjustment date.

Q. Effective Date. We will designate the “Effective Date” of this Agreement in the space provided on the cover page. If no Effective Date is designated on the cover page, the Effective Date is the date when we sign this Agreement. However, as described in subsection 5.A, you do not have the right to, and may not, open and commence operation of a Restaurant at the Authorized Location until we notify you that you have satisfied all of the pre-opening conditions set forth in this Agreement.

**[Signatures on following page.]**

**IN WITNESS WHEREOF**, the parties have executed this Franchise Agreement as of the dates written below.

**FRANCHISEE: (For an Entity)**

Date: \_\_\_\_\_

\_\_\_\_\_,  
a \_\_\_\_\_  
(Please type or print name and type of entity)

Signature: \_\_\_\_\_

\_\_\_\_\_  
(Please type or print name of person  
signing on behalf of entity)

Its: \_\_\_\_\_  
(Please type or print title of person  
signing on behalf of entity)

**FRANCHISEE: (For an Individual)**

Date: \_\_\_\_\_

Name: \_\_\_\_\_  
(Please type or print)

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Name: \_\_\_\_\_  
(Please type or print)

Signature: \_\_\_\_\_

**US:**

**HICKORY RIVER SMOKEHOUSE, INC.**

Date: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Appendix A to the Franchise Agreement

**The Designated Area**

As stated in Subsection 1.B of the Franchise Agreement, subject to the terms and conditions of the Franchise Agreement, the Designated Area in which you will locate and operate the Restaurant is defined as follows: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The Designated Area is considered fixed as of the date of the Franchise Agreement.

**YOU:** \_\_\_\_\_

**WE: HICKORY RIVER SMOKEHOUSE,  
INC.**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Appendix B to the Franchise Agreement

**Addendum to Lease**

This Addendum to Lease, dated \_\_\_\_\_, 20\_\_\_\_, is entered into between \_\_\_\_\_ (“Lessor”), and \_\_\_\_\_ (“Lessee”).

RECITALS

- A. The parties have entered into a Lease Agreement, dated \_\_\_\_\_, 20\_\_\_\_, (the “Lease”) pertaining to the premises located at \_\_\_\_\_ (the “Premises”).
- B. Lessor acknowledges that Lessee intends to operate a Restaurant from the Premises pursuant to Lessee’s Franchise Agreement (the “Franchise Agreement”) with Hickory River Smokehouse, Inc. (“HRS”) under the name “Hickory River Smokehouse” or other name designated by HRS (the “Restaurant”).
- C. The parties desire to amend the Lease in accordance with the terms and conditions contained in this Addendum.

AGREEMENT

Lessor and Lessee agree as follows:

- 1. Remodeling and Decor. Lessor agrees that Lessee has the right to remodel, equip, paint and decorate the interior of the Premises and to display such proprietary marks and signs on the interior and exterior of the Premises as Lessee is reasonably required to do pursuant to the Franchise Agreement and any successor Franchise Agreement under which Lessee may operate a Restaurant on the Premises.
- 2. Assignment. Lessee has the right to assign all of its right, title and interest in the Lease to HRS, its affiliates or its parent company, at any time during the term of the Lease, including any extensions or renewals, without first obtaining Lessor’s consent. No assignment will be effective, however, until HRS or its designated affiliate gives Lessor written notice of its acceptance of the assignment. Nothing contained in this Addendum or in any other document makes HRS or its designated affiliate a party or guarantor to the Lease, and this Addendum does not create any liability or obligation of HRS or its parent company unless and until the Lease is assigned to, and accepted in writing by, HRS or its parent company. In the event of an assignment, Lessee will remain liable under the terms of the Lease.
- 3. Default and Notice.
  - (a) In the event there is a default or violation by Lessee under the terms of the Lease, Lessor must give Lessee and HRS written notice of such default or violation within a reasonable time after Lessor receives knowledge of its occurrence. Although HRS is under no obligation to cure the default, HRS will notify Lessor if it intends to cure the default and take an automatic assignment of Lessee’s interest as provided in Section 4(a). HRS will have an additional 15 days from the expiration of Lessee’s cure period in which to cure the default or violation.



- (b) All notices to HRS must be sent by registered or certified mail, postage prepaid, to the following address:

Hickory River Smokehouse, Inc.  
117 Lisa Marie Place  
Shalimar, FL 32579

HRS may change its address for receiving notices by giving Lessor written notice of the new address. Lessor agrees that it will notify both Lessee and HRS of any change in Lessor's mailing address to which notices should be sent.

4. Termination or Expiration.

- (a) Upon Lessee's default and failure to cure a default under either the Lease or the Franchise Agreement, HRS will, at its option, have the right (but not the requirement) to take an automatic assignment of Lessee's interest.
- (b) Upon the expiration or termination of either the Lease or the Franchise Agreement, Lessor will cooperate with and assist HRS in gaining possession of the premises and if HRS does not elect to take an assignment of the Lessee's interest, Lessor will allow HRS to enter the Premises, without being guilty of trespass and without incurring any liability to Lessor, to remove all signs and all other items identifying the Premises as a HICKORY RIVER SMOKEHOUSE® Restaurant and to make such other modifications (such as repainting) as are reasonably necessary to protect the HICKORY RIVER SMOKEHOUSE® marks and system, and to distinguish the Premises from HICKORY RIVER SMOKEHOUSE® restaurants. In the event HRS exercises its option to purchase assets of Lessee, Lessor must permit HRS to remove all such assets being purchased by HRS.

5. Consideration; No Liability.

- (a) Lessor hereby acknowledges that the provisions of this Addendum to Lease are required pursuant to the Franchise Agreement under which Lessee plans to operate its business and the Lessee would not lease the Premises without this Addendum.
- (b) Lessor further acknowledges that Lessee is not an agent or employee of HRS and the Lessee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind HRS or any affiliate of HRS, and that Lessor has entered into this Addendum to Lease with full understanding that it creates no duties, obligations or liabilities of or against HRS or any affiliate of HRS.

6. Sales Reports. If requested by HRS, Lessor will provide HRS with whatever information Lessor has regarding Lessee's sales from the Restaurant.

7. Modification. No amendment or variation of the terms of this Addendum is valid unless made in writing and signed by the parties and the parties have obtained the written consent of HRS.

8. Reaffirmation of Lease. Except as amended or modified in this Addendum, all of the terms, conditions and covenants of the Lease remain in full force and effect and are incorporated by reference and made a part of this Addendum as though copied herein in full.
9. Beneficiary. Lessor and Lessee expressly agree that HRS is a third-party beneficiary of this Addendum.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the dates written below.

**LESSEE:**

**LESSOR:**

\_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Appendix C to the Franchise Agreement

**Electronic Transfer of Funds Authorization**

Franchisee: \_\_\_\_\_

Location: \_\_\_\_\_

Date: \_\_\_\_\_

| NEW | CHANGE |
|-----|--------|
|     |        |

Attention: Bookkeeping Department

The undersigned hereby authorizes Hickory River Smokehouse, Inc., its parent company or any affiliated entity (collectively, "HRS"), to initiate weekly ACH debit entries against the account of the undersigned with you in payment of amounts for Continuing Fees, Marketing Fees or other amounts that become payable by the undersigned to HRS. The dollar amount to be debited per payment will vary.

Subject to the provisions of this letter of authorization, you are hereby directed to honor any such ACH debit entry initiated by HRS.

This authorization is binding and will remain in full force and effect until 90 days prior written notice has been given to you by the undersigned. The undersigned is responsible for, and must pay on demand, all costs or charges relating to the handling of ACH debit entries pursuant to this letter of authorization.

Please honor ACH debit entries initiated in accordance with the terms of this letter of authorization, subject to there being sufficient funds in the undersigned's account to cover such ACH debit entries.

Sincerely yours,

\*\*\* We also need a VOIDED Check \*\*\*

\_\_\_\_\_  
Account Name

\_\_\_\_\_  
Bank Name

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
Branch

\_\_\_\_\_  
City State Zip Code

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
Telephone Number

\_\_\_\_\_  
City State Zip Code

By \_\_\_\_\_

\_\_\_\_\_  
Bank Telephone Number

Its \_\_\_\_\_

\_\_\_\_\_  
Bank's Account Number

Date \_\_\_\_\_

\_\_\_\_\_  
Customer's Account Number

Appendix D to the Franchise Agreement

**Personal Guarantee and Agreement to be Bound**  
**Personally by the Terms And Conditions**  
**of the Franchise Agreement**

In consideration of the execution of the Franchise Agreement by us, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in the Franchise Agreement, to be paid, kept and performed by the franchisee, including without limitation the arbitration and other dispute resolution provisions of the Agreement.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Franchise Agreement, including but not limited to the non-compete provisions in subsection 10.D, and agree that this Personal Guarantee will be construed as though the undersigned and each of them executed a Franchise Agreement containing the identical terms and conditions of this Franchise Agreement.

The undersigned waives: (1) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; and (3) any right he/she may have to require that an action be brought against the franchisee or any other person as a condition of liability.

In addition, the undersigned consents and agrees that: (1) the undersigned's liability will not be contingent or conditioned upon our pursuit of any remedies against the franchisee or any other person; and (2) such liability will not be diminished, relieved or otherwise affected by franchisee's insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Franchise Agreement, or the amendment or extension of the Franchise Agreement with or without notice to the undersigned.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Guarantee will inure to the benefit of our successors and assigns.

**[Signatures on Following Page]**

**FRANCHISEE:** \_\_\_\_\_

**PERSONAL GUARANTORS:**

\_\_\_\_\_ Individually

\_\_\_\_\_ Print Name

\_\_\_\_\_ Address

\_\_\_\_\_ City State Zip Code

\_\_\_\_\_ Telephone

\_\_\_\_\_ Individually

\_\_\_\_\_ Print Name

\_\_\_\_\_ Address

\_\_\_\_\_ City State Zip Code

\_\_\_\_\_ Telephone

\_\_\_\_\_ Individually

\_\_\_\_\_ Print Name

\_\_\_\_\_ Address

\_\_\_\_\_ City State Zip Code

\_\_\_\_\_ Telephone

\_\_\_\_\_ Individually

\_\_\_\_\_ Print Name

\_\_\_\_\_ Address

\_\_\_\_\_ City State Zip Code

\_\_\_\_\_ Telephone

Appendix E to the Franchise Agreement

**Ownership and Management Addendum**

1. Principal Owner(s). You represent and warrant to us that the following person(s) and entities, and only the following person(s) and entities, will be your Principal Owner(s):

| <u>NAME</u> | <u>HOME ADDRESS</u> | <u>PERCENTAGE<br/>OF INTEREST</u> |
|-------------|---------------------|-----------------------------------|
|             |                     |                                   |
|             |                     |                                   |
|             |                     |                                   |

2. Certified Managers. You represent and warrant to us that the following persons, and only the following persons, are your Certified Managers:

| <u>NAME</u> | <u>TITLE</u> | <u>ADDRESS</u> |
|-------------|--------------|----------------|
|             |              |                |
|             |              |                |
|             |              |                |

3. Change. You must immediately notify us in writing of any change in the information contained in this Addendum and, at our request, prepare and sign a new Addendum containing the correct information.

4. Effective Date. This Addendum is effective as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
**Your Initials**

\_\_\_\_\_  
**Our Initials**

Appendix F to the Franchise Agreement

**Acknowledgment Addendum**

As you know, you and we are entering into a Franchise Agreement for the operation of a HICKORY RIVER SMOKEHOUSE® restaurant franchise. The purpose of this Acknowledgment Addendum is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of your restaurant. Please review each of the following questions carefully and provide honest responses to each question.

**Acknowledgments and Representations\***

1. Did you receive a copy of our Disclosure Document (and all exhibits and attachments) at least 14 calendar days prior to signing the Franchise Agreement? **Check one:** ( ) Yes ( ) No. **If no, please comment:** \_\_\_\_\_  
\_\_\_\_\_
2. Did you receive a copy of the Franchise Agreement at least 7 calendar days prior to the date on which the Franchise Agreement was executed, that was the same as the document you signed, except for fill-in-the-blanks or negotiated changes requested by you? **Check one:** ( ) Yes ( ) No. **If no, please comment:** \_\_\_\_\_  
\_\_\_\_\_
3. Did you review and understand all the information contained in both the Disclosure Document and Franchise Agreement? **Check one:** ( ) Yes ( ) No. **If no, please comment:** \_\_\_\_\_  
\_\_\_\_\_
4. Was any oral, written or visual claim or representation made to you that contradicted the disclosures in the Disclosure Document? **Check one:** ( ) Yes ( ) No. **If yes, please comment:** \_\_\_\_\_  
\_\_\_\_\_
5. Did any employee or other person speaking on behalf of Hickory River Smokehouse, Inc. make any oral, written or visual representation, claim, statement or promise to you that stated, suggested, predicted or projected financial performance, sales, revenues, earnings, income or profit levels at any HICKORY RIVER SMOKEHOUSE® location or business, or the likelihood of success at your franchised restaurant, other than the information contained in Item 19 of the Disclosure Document? **Check one:** ( ) Yes ( ) No. **If yes, please state in detail the oral, written or visual representation:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
6. Do you understand: (a) the financial performance information presented in Item 19 of the Disclosure Document represents the results of our franchisees' operations during the 2019 Fiscal Year, prior to the outbreak in the United States of the novel coronavirus or COVID-19 in the first quarter of 2020; (b) the novel coronavirus outbreak and any preventative or protective actions that federal, state, and local governments may take in response to this pandemic may result in a period of business disruption, reduced customer demand, and reduced operations for our franchisees; (c) we cannot reasonably estimate the financial impact resulting from this outbreak as of the date of this Disclosure Document, but we expect that it may materially affect our franchisees' businesses and financial condition; and (d) the extent to which the coronavirus impacts our business will depend on future developments which are highly uncertain and which we cannot predict as of the date of this Disclosure Document? **Check one:** ( ) Yes ( ) No. **If yes, please state in detail the oral, written or visual representation:** \_\_\_\_\_

- 
- 
7. Do you understand that that the franchise granted is for the right to operate the Restaurant in a specific Designated Area and that we and our affiliates have the right to issue franchises or operate competing restaurants for or at locations outside of your Designated Area (using any trademarks) and inside your Designated Area using trademarks other than the HICKORY RIVER SMOKEHOUSE® marks? **Check one:** ( ) Yes ( ) No. **If no, please comment:** \_\_\_\_\_
- 
8. Do you understand that the Franchise Agreement contains the entire agreement between you and us concerning the franchise for the Restaurant, meaning that any prior oral or written statements not set out in the Franchise Agreement will not be binding? **Check one:** ( ) Yes ( ) No. **If no, please comment:** \_\_\_\_\_
- 
9. Do you understand that the success or failure of your Restaurant will depend in large part upon your skills and experience, your business acumen and diligence, your location, the local market, for restaurant products and services, interest rates, the economy, inflation, the number of employees you hire and their compensation, competition and other economic and business factors? Further, do you understand that the economic and business factors that exist at the time you open your Restaurant may change? **Check one:** ( ) Yes ( ) No. **If no, please comment:** \_\_\_\_\_
- 

**YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS ADDENDUM, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS. IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.**

**NOTE: IF THE RECIPIENT IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.**

\*Such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Illinois Franchise Disclosure Act.

**[Signatures on following page.]**



**FRANCHISEE:**

By:

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Date)

**APPROVED ON BEHALF OF  
HICKORY RIVER SMOKEHOUSE, INC.**

By:

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Date)

**FRANCHISEE:**

By:

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Date)

ADDENDUM TO  
HICKORY RIVER SMOKEHOUSE, INC.  
FRANCHISE AGREEMENT FOR THE  
STATE OF ILLINOIS

This Addendum pertains to franchises sold in the State of Illinois and is for the purpose of complying with Illinois statutes and regulations. Notwithstanding anything that may be contained in the body of the Franchise Agreement (“Agreement”) to the contrary, the Agreement is amended as follows:

1. Illinois law governs the Franchise Agreement(s).
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. Payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations and franchisee is open for business. The Illinois Attorney General’s Office imposed this deferral requirement due to our financial condition.

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.

*[Signatures on following page]*

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**FRANCHISEE: (For an Entity)**

Date: \_\_\_\_\_

\_\_\_\_\_,  
a \_\_\_\_\_  
(Please type or print name and type of entity)

Signature: \_\_\_\_\_

\_\_\_\_\_  
(Please type or print name of person  
signing on behalf of entity)

Its: \_\_\_\_\_  
(Please type or print title of person  
signing on behalf of entity)

**FRANCHISEE: (For an Individual)**

Date: \_\_\_\_\_

Name: \_\_\_\_\_  
(Please type or print)

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Name: \_\_\_\_\_  
(Please type or print)

Signature: \_\_\_\_\_

**US:**

**HICKORY RIVER SMOKEHOUSE, INC.**

Date: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

## **EXHIBIT D**

### List of Franchisees

HICKORY RIVER SMOKEHOUSE RESTAURANT FRANCHISEES  
(as of December 31, 2023)

**ILLINOIS**

Hickory River / Urbana, Inc.  
3514 Fields South Drive  
Champaign, IL 61822  
217-888-2281

Hickory River Decatur, LLC  
2330 S. Mt. Zion Road  
Decatur, IL 62521  
217-864-1864

Hickory River Peoria, LLC  
5101 West Holiday Dr.  
Peoria, IL 61615  
309-683-1227

Hickory River / Madigan, LLC  
2343 N Dirksen Pkwy  
Springfield, IL 62702  
217-528-2271

Hickory River / Urbana, Inc.  
1706 N. Cunningham Ave.  
Urbana, IL 61802  
217-337-1656

**OHIO**

Dan & Maria Davis, Inc.  
135 S. Garber Dr.  
Tipp City, OH 45371  
(937) 669-2271

**EXHIBIT E**  
**STATE EFFECTIVE DATES**

**State Effective Dates**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, 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:

| <b>State</b> | <b>Effective Date</b> |
|--------------|-----------------------|
| California   | Not Registered        |
| Florida      | April 24, 2024        |
| Hawaii       | Not Registered        |
| Illinois     | _____, 2024           |
| Indiana      | _____, 2024           |
| Maryland     | Not Registered        |
| Michigan     | April 24, 2024        |
| Minnesota    | Not Registered        |
| New York     | Not Registered        |
| North Dakota | Not Registered        |
| Rhode Island | Not Registered        |
| South Dakota | Not Registered        |
| Utah         | Not Registered        |
| Virginia     | Not Registered        |
| Washington   | Not Registered        |
| Wisconsin    | _____, 2024           |

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT F**

**RECEIPTS**

## Receipt

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

If Hickory River Smokehouse, Inc. ("HRS") offers you a franchise, HRS must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, HRS or our affiliate in connection with the proposed franchise sale. Iowa, New York and Rhode Island require that HRS give you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If HRS 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 A.

The franchisor is Hickory River Smokehouse, Inc., located at 117 Lisa Marie Place, Shalimar, Florida 32579. Its telephone number is (937) 765-2404.

### Issuance Date: April 24, 2024

The franchise sellers involved in offering and selling the franchise to you are:

|                 |                                                              |
|-----------------|--------------------------------------------------------------|
| Bradley Bowman  | 117 Lisa Marie Place, Shalimar, Florida 32579 (937) 765-2404 |
| Daniel Davis    | 135 S. Garber Dr., Tipp City, OH 45371 (937) 669-2271        |
| Michael Madigan | 1706 N. Cunningham Ave., Urbana, IL 61802 (217) 337-1656     |
|                 |                                                              |

*(Fill-in information for any additional Franchise Sellers as soon as available)*

HRS authorizes the respective state agencies identified on Exhibit A to receive service of process for HRS in the particular state.

I have received a disclosure document with an effective date of April 24, 2024, which included the following Exhibits:

- |                                                             |                          |
|-------------------------------------------------------------|--------------------------|
| A. List of State Agencies and Agents for Service of Process | D. List of Franchisees   |
| B. Financial Statements                                     | E. State Effective Dates |
| C. Franchise Agreement                                      | F. Receipts              |

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

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 Hickory River Smokehouse, Inc. ("HRS") offers you a franchise, HRS must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, HRS or our affiliate in connection with the proposed franchise sale. Iowa, New York and Rhode Island require that HRS give you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If HRS 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 A.

The franchisor is Hickory River Smokehouse, Inc., located at 117 Lisa Marie Place, Shalimar, Florida 32579. Its telephone number is (937) 765-2404.

### Issuance Date: April 24, 2024

The franchise sellers involved in offering and selling the franchise to you are:

|                 |                                                              |
|-----------------|--------------------------------------------------------------|
| Bradley Bowman  | 117 Lisa Marie Place, Shalimar, Florida 32579 (937) 765-2404 |
| Daniel Davis    | 135 S. Garber Dr., Tipp City, OH 45371 (937) 669-2271        |
| Michael Madigan | 1706 N. Cunningham Ave., Urbana, IL 61802 (217) 337-1656     |
|                 |                                                              |

*(Fill-in information for any additional Franchise Sellers as soon as available)*

HRS authorizes the respective state agencies identified on Exhibit A to receive service of process for HRS in the particular state.

I have received a disclosure document with an effective date of April 24, 2024, which included the following Exhibits:

- |                                                             |                          |
|-------------------------------------------------------------|--------------------------|
| A. List of State Agencies and Agents for Service of Process | D. List of Franchisees   |
| B. Financial Statements                                     | E. State Effective Dates |
| C. Franchise Agreement                                      | F. Receipts              |

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

### Copy for Hickory River Smokehouse, Inc.

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 email to Brad Bowman, [brad@hickoryriver.com](mailto:brad@hickoryriver.com).