

FRANCHISE DISCLOSURE DOCUMENT



JL Beers Franchising, Inc.
A North Dakota Corporation
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JL Beers Franchising, Inc. offers individual unit franchises for the development and operation of a JL Beers® restaurant (“Restaurant”), featuring a variety of high quality hamburgers, chicken sandwiches, fresh cut fries and chips, pretzels, fresh-ground peanut butter, dips, craft cocktails, and a large selection of draught, canned and bottled beers for the individual consumer in a fast, casual atmosphere.

The total investment necessary to begin operation of a Restaurant in which you will lease the premises is from \$857,200 to \$1,303,000. The total investment necessary to begin operation of a Restaurant in which you will acquire the land and building for the premises is from \$1,375,200 to \$2,235,000. In each situation, the total investment necessary to begin operation of a Restaurant includes \$43,500 - \$44,200 that must be paid to us or our affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Vonnie Birmingham at 16 Broadway, Suite 208, Fargo, North Dakota 58102, (701) 237-5151 (Ext. 13), vonnies@jlbeers.com.

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

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

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

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How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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 non-binding mediation only in the city and state where our headquarters is located (currently Fargo, North Dakota), then to binding arbitration only in the state of Minnesota, and the franchise agreement permits litigation in some cases where our headquarters is located. 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 North Dakota or Minnesota than in your own state.

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

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ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

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

The Franchisor

We are a North Dakota corporation formed on January 23, 2013. Our principal place of business is at 16 Broadway, Suite 208, Fargo, North Dakota 58102, telephone number is (701) 237-5151. Our agents for service of process are disclosed in Exhibit D.

We grant franchises for the operation of restaurants under the name “JL Beers” (the “Restaurants”), offering a variety of high quality hamburgers, chicken sandwiches, fresh cut fries and chips, dips, craft cocktails, and a large selection of draught, canned and bottled beers for the individual consumer in a fast, casual atmosphere. We commenced offering franchises for JL Beers® Restaurants in April 2013. Although we have not directly operated the type of business you will operate, our predecessor and several related entities currently operate Restaurants (see below).

Our Business Experience, Predecessors and Affiliates

Our predecessor, JL Beers, Inc. (“Predecessor”), created the JL Beers® Restaurant concept in 2009 and opened the first JL Beers® Restaurant in November 2009 in Fargo, North Dakota. Our Predecessor transferred several of the “Marks” (as defined in Item 13) and other intangible assets related to the JL Beers® system to us in January 2013. As of the date of this disclosure document, our Predecessor, and related companies under common control with us, own 8 JL Beers® Restaurants located in North Dakota, South Dakota and Minnesota.

Our affiliate, JL Beers of America Inc. (“JLBA”), was formed in 2011 to serve as the administrative company for company-owned Restaurants and other unrelated businesses. Our Predecessor and JLBA sell certain proprietary products, promotional materials and services to franchisees. Our Predecessor and JLBA share our principal business address.

Other than as described above, neither we nor our Predecessor or JLBA (as our affiliate) has ever offered franchises for any other type of business. Other than as described above, we have no affiliates, predecessors or parents required to be disclosed in this Item 1.

Franchise Offered

You will sign a “Franchise Agreement” to receive the right to own and operate a Restaurant at a location to which we have consented, offering the products and services we approve, and using our formats, designs, methods, specifications, standards, operating and marketing procedures and the Marks, including the Mark “JL Beers” (collectively, the “System”).

We also offer to select, qualified individuals who meet our then-current standards and qualifications a Multiple Restaurant Development Agreement (the “Development Agreement”) under which you will receive the right to open up more than one Restaurant. If you sign a Development Agreement, you will receive the right to open a certain number of Restaurants in defined territories within one or more development areas over a defined period of time, as we determine, on the basis of the market potential and

the size of the development area(s). A copy of the Development Agreement is included in this disclosure document as Exhibit C.

Market and Competition

JL Beers® Restaurants offer quality hamburgers, chicken sandwiches, fresh cut fries and chips, pretzels, fresh-ground peanut butter, dips, craft cocktails, and a large selection of draught, canned and bottled beers, and other products to the customer. A typical JL Beers® Restaurant admits only customers who are 21 years or older, although we have made a limited number of exceptions due to demographics, facility size and other factors. The JL Beers® customer base is broad, primarily individuals between the ages of 21 and 60 who enjoy hamburgers and beer, and includes business professionals, laborers, college students, local residents, and people traveling to the area for work or pleasure. A JL Beers® Restaurant differs from the competition by serving high quality food at a reasonable price, offering exceptionally quick service and providing an open-kitchen environment that features specialty cooking equipment. The JL Beers® Restaurant's staff is trained to know beer, so they are able to recommend beer selected for the customer's taste. The craft cocktails offered at JL Beers® Restaurants all include beer as a key ingredient.

Your competition is well developed and will include other franchised and company-owned restaurant and brewery chains offering (among other items) hamburgers, chicken, beer, and craft cocktails as well as local restaurants and breweries offering these menu items. The market is well-developed.

Laws and Regulations

In addition to laws and regulations that apply to businesses generally, federal, state and local jurisdictions have enacted laws, rules, regulations and ordinances which will or may apply to the operation of your Restaurant, including those which (a) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for restaurants and disclosure of nutritional information, including menu labeling, employee practices concerning the storage, handling, cooking and preparation of food; restrictions on smoking; and availability of and requirements for public accommodations, including restrooms; (b) establish standards pertaining to employee health and safety; (c) establish standards and requirements for fire safety and general emergency preparedness; (d) regulate the proper use, storage and disposal of waste, insecticides, and other hazardous materials; and (e) regulate the sale and use of alcoholic beverages served at the Restaurant. You most likely will need to obtain a liquor license permit to offer and sell beer and other alcoholic beverages at the Restaurant. You should investigate whether there are other regulations and requirements that may apply in the geographic area in which you are interested in locating your franchise and should consider both their affect and cost of compliance.

ITEM 2

BUSINESS EXPERIENCE

Randy Thorson: President, Treasurer, Director:

Randy Thorson has been our President, Treasurer and a director since our inception in January 2013. Mr. Thorson also has been Treasurer and a director of our Predecessor since July 2009, and was President of our Predecessor from July 2009 until January 2013. In addition, he has been President, Treasurer and a director of JLBA since May 2011. During the last 5 years, Mr. Thorson also has been an officer and director of entities operating JL Beers® Restaurants and other restaurants and nightclubs in North Dakota, South Dakota and Minnesota.

Warren Ackley: Vice-President, Secretary, Director:

Warren Ackley has been our Vice-President, Secretary and a director since our inception in January 2013. Mr. Ackley also has been the Vice-President, Secretary and a director of our Predecessor since July 2009, and Vice President, Secretary and a director of JLBA since May 2011. In addition, Mr. Ackley has been the Vice President of each of the JL Beers Restaurants opened in North Dakota, South Dakota and Minnesota since 2009. During the last 5 years, he also has been an officer and director of entities operating JL Beers® Restaurants and other restaurants and nightclubs in North Dakota, South Dakota and Minnesota.

Lance Thorson: Project Manager, Director of Development, Director:

Lance Thorson has served as our Project Manager and Director of Development and a director since our inception in January 2013. Mr. Thorson also has served as President of our Predecessor since January 2013 and a director of our Predecessor since July 2009. In addition, he has been a director of JLBA since May 2011. Mr. Thorson also has served in various capacities for entities operating JL Beers® Restaurants in North Dakota, South Dakota and Minnesota since July 2009.

Shawn Thorson: Director:

Shawn Thorson has served on our Board of Directors since our inception in January 2013. Mr. Thorson also has served as a director of our Predecessor since July 2009 and of JLBA since May 2011.

Vonnie Birmingham: Director of Franchising:

Vonnie Birmingham has been our Director of Franchising since our inception in January 2013. Ms. Birmingham also has served as Director of Administration and Licensing for JLBA since May 2011.

Daniel Chase: Area Manager:

Daniel Chase has been our Area Manager since February 2019. Mr. Chase also has served as Area Manager for JLBA since February 2019. Mr. Chase also has acted as the General Manager of JLB South, Inc. located in Fargo, North Dakota, from September 2013 to February 2019.

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

The “Initial Franchise Fee” for a single Restaurant franchise is \$40,000. Included in the cost of the Initial Franchise Fee is a Restaurant opening promotional package that you will receive from us. You pay the Initial Franchise Fee when you sign the Franchise Agreement. We will refund 50 percent of the Initial Franchise Fee if (1) you fail to sign a lease for the authorized Restaurant site within one year following the Effective Date; or (2) you fail to obtain a liquor license to sell beer and other alcoholic beverages at your Restaurant within one (1) year following the Effective Date; provided we determine that you have used

your best efforts to secure a site for the Restaurant and a liquor license for the Authorized Location and you sign a mutual termination agreement agreeing to terminate the Franchise Agreement in a form we provide. In all other circumstances, the Initial Franchise Fee is not refundable.

Currently, our affiliate, JLBA, is the only supplier of certain supplies and other items, including condiment caddies, paper towel holders, tap handles, flight menu sleeves, wait station mats, gift cards, and gift card holders. JLBA will invoice you for these items before you open the Restaurant. We estimate that the cost of these items will range from \$3,500 to \$4,200. The price paid for these items is nonrefundable.

If you sign a Development Agreement, you must pay us a development fee of \$10,000 (“Development Fee”) for each Restaurant you agree to develop under the Development Schedule (other than the first Restaurant, for which you pay us the Initial Franchise Fee described above). The Development Fee is not refundable under any circumstances. The portion of the Development Fee attributable to each additional Restaurant you develop under the Development Schedule (\$10,000) will be credited against the Initial Franchise Fee due for the Franchise Agreement relating to that Restaurant when it is signed.

ITEM 6

OTHER FEES

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Royalty Fee	4% of total “Net Sales” (See Note 2)	Payable weekly by electronic funds transfer each Thursday following the week (Monday to Sunday) during which the Net Sales were made	
Income and Sales Taxes	We may collect from you the cost of all taxes arising from our licensing of intellectual property to you in the state where your Restaurant is located, as well as any assessment on fees and any other income we receive from you.	When applicable, payable 15 days after invoiced by us	Only imposed if state collects these taxes or assessments
Production Fee	Currently 0.50% of total Net Sales, although we may increase this fee to an amount not exceeding 2% of Net Sales.	Payable by electronic funds transfer at same time as Royalty Fee	See Item 11
Approved Supplier/Product Testing Fee	Will vary under circumstances	Payable when you request our approval of a proposed supplier or product	
Relocation Fees	\$5,000	Payable before we review the proposed new Restaurant site	If you desire to relocate your Restaurant, you must obtain our consent and pay us the Relocation Fee. Also, see Note 3.
Transfer Fee	50% of then-current standard Initial Franchise Fee	Before completion of transfer	You pay this fee when the Franchise Agreement or a substantial portion of the assets of the Restaurant or any controlling interest in you is transferred.
Renewal Fee	The lesser of 20% of then-current standard Initial Franchise Fee or \$12,000	At least 30 days before renewal of Franchise Agreement	
Remodeling Expenses	Will vary under circumstances	When incurred	See Note 3
Costs and Attorneys’ Fees	Will vary under circumstances	When incurred	We may recover costs and reasonable attorneys’ fees if you lose in a dispute with us.

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Audit	Cost of audit plus 12% interest per year from due date	15 days after receipt of report	Payable only if audit shows an understatement of at least 3% of Net Sales for any month
Interest Expenses	Lesser of 12% per year or the maximum rate permitted by law	When due	Payable if you do not timely pay Royalty Fee, Production Fee or other amounts owed to us or our affiliates
Insurance	Cost of insurance	Payable before opening	If you fail to obtain and maintain required insurance, we may immediately obtain insurance and you must promptly reimburse us for insurance, including late charges, together with an administrative fee equal to 5% of the insurance premium.
Software License or Technology Fee	We currently do not charge these fees but may do so in the future.	Payable monthly	See Item 11
Software Support	We currently do not charge this fee but may charge it in the future.	Payable monthly	See Item 11
Operating Assistance	Currently \$300 per day plus reimbursement of our related travel, room and board expenses (may range from \$100 to \$1,000 per day per person)	When incurred	We may provide you with additional operating assistance for a fee. You may request such assistance or we may require such assistance.
Mystery Shopper Program Expenses	Cost of third party mystery shopper services	When incurred	Payable if we establish a mystery shopper program and seek reimbursement for third-party fees related to your Restaurant
Additional Training Fee	Currently \$300 per day plus reimbursement of our related travel, room and board expenses (may range from \$100 to \$1,000 per day per person)	Before training	Incurred for new and additional training we require. See Item 11.

Notes:

- (1) Except where otherwise noted, all fees are payable to us, are non-refundable, and are uniformly imposed.
- (2) “Net Sales” generally means the aggregate amount of all sales of food and beverages, including beer and other alcoholic beverages, together with clothing items, growlers, glassware, and all other goods and services, whether for cash, on credit or otherwise, made or provided in connection with the Restaurant, including off-premises sales and monies derived at or away from the Restaurant, but excluding taxes you pay or accrue, adjustments for net returns and discounts for employee meals. The costs or fees associated with any deliveries by you or imposed by any third party delivery providers will not be deducted from “Net Sales”.
- (3) You must remodel your Restaurant on notice from us. Any refurbishing must comply with our then-current standards for JL Beers® Restaurants. The scope of refurbishing may range from simply painting the Restaurant to completely refurbishing the entire Restaurant, including replacement of fixtures, signs, supplies and equipment. We cannot estimate the current cost for a refurbishing project because the refurbishing requirements will vary from Restaurant to Restaurant. You may make these payments in whole or in part to various third parties. If you relocate your Restaurant, you will incur certain build-out or remodeling expenses at the new Restaurant premises in addition to paying us the relocation fee.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure (See Note 1)	Amount -- Leased Premises (See Note 2)	Amount -- Purchased Land and Building (See Note 2)	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee See Note 3	\$40,000 See Note 3	\$40,000 See Note 3	Lump Sum	When you sign the Franchise Agreement	Us
Leasehold Improvements See Note 4	\$250,000 to \$470,000	Not Applicable	As Agreed Upon	As Incurred	Landlord, Various Third Parties
Land and Building See Note 5	Not Applicable	\$770,000 to \$1,400,000	As Incurred	As Incurred	Various Third Parties
Equipment, Fixtures and Furniture See Note 6	\$400,000 to \$490,000 See Note 6	\$400,000 to \$490,000 See Note 6	As Agreed Upon	Before Opening	Various Suppliers and Us
Initial Inventory See Note 7	\$28,000 to \$48,000	\$28,000 to \$48,000	As Agreed Upon	As Ordered	Various Suppliers, Us
POS System See Note 8	\$2,000 to \$15,000	\$2,000 to \$15,000	Lump Sum	Before Opening	Various Suppliers
Signage See Note 9	\$18,000 to \$22,000	\$28,000 to \$42,000	As Incurred	As Incurred	Third Party Venders
Training Expenses See Note 10	\$3,000 to \$6,000	\$3,000 to \$6,000	As Incurred	Before Opening	Various Third Parties
Opening Advertising and Promotion See Note 11	\$1,200 to \$3,500	\$1,200 to \$3,500	As Incurred	As Ordered	Third Party Advertising Service Vendors
Liquor License Fees/Expenses See Note 12	\$1,000 to \$50,000	\$1,000 to \$50,000	As Incurred	Before Opening	Local government agencies; Various Third Parties
Miscellaneous Pre- opening Expenses See Note 13	\$12,000 to \$20,000	\$12,000 to \$20,000	As Incurred	Before Opening	Various Third Parties
Additional Funds - 3 months See Note 14	\$102,000 to \$138,500	\$90,000 to \$120,500	As Incurred	As Incurred	Employees, Suppliers
TOTAL See Note 15	\$857,200 to \$1,303,000	\$1,375,200 to \$2,235,000			

Notes:

- (1) The typical size of a JL Beers® Restaurant is approximately 3,500 square feet consisting of: (i) 1,750 square feet on the main floor (seating, bar/kitchen area); (ii) 1,750 square feet in the basement (storage area); and (iii) additional patio seating for no more than 20 persons. For several items discussed below, your cost will increase as the number of square feet increases. While we suggest you limit the size of your Restaurant to a maximum seating capacity of 49 to 65 persons, a variety of factors may impact the size of your Restaurant such as landlord, municipality or zoning board requirements or restrictions and availability and cost of leased or purchased space. This Table reflects your estimated initial investment for a single Restaurant operated under a Franchise Agreement.

- (2) Except where otherwise noted, all fees that you pay to us are non-refundable. Third party lessors, contractors and suppliers will decide if payments to them are refundable.
- (3) You will pay us the Initial Franchise Fee as more fully described in Item 5.
- (4) Typical locations for your Restaurant are smaller free-standing, multiple use and strip mall locations. Assuming that you will lease the premises for your Restaurant, you will need to make certain leasehold improvements to the leased premises to comply with our approved plans and specifications. Leasehold improvements include architecture and engineering fees, lighting, flooring and partition walls. We anticipate that you likely will negotiate the cost of leasehold improvements as part of your rental expense. The exact cost or impact on your rental expense will depend on several factors, including the condition of the premises, whether you elect to do more than the minimum required renovations, the landlord's agreement to reimburse you for certain improvements, the size and location of the premises for your Restaurant and other economic factors. We estimate that you will pay approximately \$12 to \$27 per square foot in rental expense (including common area maintenance (CAM) and taxes) for your Restaurant premises. The exact amount of rental expense will vary greatly, depending on the location of the Restaurant premises, the size of the premises, the portion of rent representing the value of leasehold improvements at the Restaurant premises, local market conditions and other factors. You will incur greater start-up costs if you cannot negotiate the cost of leasehold improvements as part of your rental expense.
- (5) Depending on the market conditions and other factors in your geographic area, your land and building costs may vary from the estimates provided in this Item 7. If you purchase the land and building for your Restaurant, you will incur significantly greater costs in developing your Restaurant. We estimate that the size of a lot on which you will build the Restaurant premises will range from 25,000 to 38,000 square feet. In addition, you may be required to provide landscaping or make other improvements to your site. The cost to purchase land on which to construct a Restaurant may vary widely depending on the location of the land; the demand for the site; zoning restrictions; the assessed value of the parcel; the attributes of the parcel and related area, such as parking availability, accessibility and traffic; land development codes; underground site utilities; and general economic conditions. These estimates are based on our and our affiliates' experience in the Midwestern United States. Depending on the geographic area in which you locate your Restaurant, your costs may be higher. Some of your costs for the property, construction or remodeling, and other site improvements may be financed through a bank or other financial institution. The Restaurant premises typically is a free standing building with approximately 3,500 square feet of usable space consisting of: (i) 1,750 square feet on the main floor (seating, bar/kitchen area); and (ii) 1,750 square feet in the basement (storage area). The estimated amount for land and building includes the expense of a new building completely finished, including flooring, wall treatment, electrical, carpentry and related work. This estimate also includes fees for architectural and engineering services such as site planning, governmental approvals for building, heating and air conditioning, plumbing, bid review, construction coordination and Restaurant drawing review. The construction costs for a building will vary significantly depending on many factors including the size of the building, difficulty of site work, labor costs and the availability of financing.
- (6) This amount includes estimated expenses for bar and kitchen equipment, smallwares/food equipment, an ATM machine, digital TVs and related audio/video equipment, digital camera, floor scrubbing machines, menu boards, surveillance cameras and security system, waste container, phone system, office supplies and equipment, a safe and other miscellaneous items. The cost of purchasing this equipment and other items may vary as a result of the characteristics of the Restaurant site, price differences among suppliers and shipping distances from suppliers. We may require you to purchase certain equipment and other items from us or our designated suppliers.

You may purchase or lease approved brands and models of other equipment, fixtures and furniture from any approved supplier.

- (7) You will need to purchase an opening inventory of food, beer, soda and retail items that complies with our specifications and is purchased from us or approved suppliers. We may be an approved supplier for certain items (see Item 8 for additional information.) This amount does not reflect amounts needed to replenish inventory during the initial stage of operation.
- (8) We require you to purchase or lease the designated Restaurant point-of-sale system from our designated supplier, currently CDI Tech. The cost to purchase the system ranges from \$10,000 to \$15,000. The cost to lease the system ranges from \$2,000 to \$3,000. (See Item 11).
- (9) We require you to purchase interior and exterior signage that meets our specifications. The cost of signage will range from approximately \$18,000 to \$22,000 for a building sign on leased properties, to approximately \$28,000 to \$42,000 for a building sign and a free-standing monument or pole sign if you purchase your land and building. Local sign codes will dictate the type of signage that is allowed on certain properties and in certain areas. Additionally, interior beer neon signage is often provided at no cost from the beer distributors. Make sure to find out what is available in your area, however, and consider that cost in your signage estimate if beer neons are not provided free of charge in your area.
- (10) Training expenses include salaries, benefits, lodging, meals and travel expenses for 3 people to attend the initial training program.
- (11) This amount includes estimated expenses for additional print media, neighborhood marketing, and other initial marketing efforts that you determine to be beneficial for your market in excess of the items we provide as part of the opening package.
- (12) The cost of obtaining a liquor license, including related legal and other fees, can vary significantly, depending on the location of your Restaurant and the availability of liquor licenses.
- (13) Miscellaneous expenses include uniforms, legal and accounting fees, local license (other than liquor license) and permit fees, restroom mirrors, chalkboards, menu printing, awning and other window treatments, restroom sinks and other items.
- (14) This amount estimates the expenses you will incur during the first 3 months of Restaurant operations, including initial wages and fringe benefits, insurance premiums, rent (if you lease your premises), taxes, Restaurant supplies, advertising, support fees for Proprietary Software, maintenance and service contracts, repairs, utilities, and interest payments on any business loans as well as on any interim financing or construction loans. It does not include inventory costs beyond the opening inventory costs identified in the Table and does not include your compensation during this 3 month period. These amounts are estimates, and we cannot guarantee that you will not incur additional expenses in starting the business. Your costs will depend on factors such as how much you follow our systems and procedures, your management skills and experience, local economic conditions, the local market for the JL Beers® concept and products, the prevailing wage rate, competition, the amount of the initial investment you decide to finance, and the sales level reached during the initial period.
- (15) This total is an estimate of your pre-opening initial investment and the expenses you will incur during the first 3 months of Restaurant operations. This total is based on our estimate of regional (Midwest) average costs and prevailing market conditions, our Predecessor's (and its affiliates') 4 years of experience and our management team's combined 75+ plus years of operating fast-casual,

casual and quick-service restaurants. You should review this amount carefully with a business advisor before deciding to purchase the franchise. These figures are estimates only and we cannot guarantee that you will not have additional expenses in starting or operating your JL Beers® Restaurant.

Development Agreement

We cannot estimate your initial investment under a Development Agreement, other than the Development Fee, which is described in Item 5. The amount of this fee will depend on the number of Restaurants you agree to establish under the Development Agreement. If you sign a Development Agreement with us, the total initial investment for your second and each subsequent Restaurant you develop under the Development Agreement may be higher than the above estimate due to inflation and other economic factors. We expect that most franchisees who sign a Development Agreement will develop 5 to 10 Restaurants and pay us a Development Fee of \$40,000 to \$90,000. While we currently do not offer separate financing for these Development Fees, we reserve the right to do so in the future.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To insure a uniform image and uniform quality of products and services throughout the JL Beers® system, you must maintain and comply with our quality standards.

Designated Products and Services

You must purchase for use or sale at your Restaurant those food products used in or sold at your Restaurant (“Products”) and other services or products we designate from us, our designees or from other suppliers we approve. We or our designees may be the designated or sole source of supply for certain services and products. Currently, our affiliate, JLBA, is the only supplier of certain supplies and other items, including waitress station mats, condiment caddies, paper towel holders, tap handles, flight menu sleeves, Crowler neons, Crowler labels, gift cards and gift card holders. In addition, PepsiCo Company and Coca-Cola Company currently are our designated suppliers of canned soda and other non-alcoholic beverages. Dacotah Paper Company currently is the designated source of supply for JL Beers® glassware and printed to-go bags. Performance Foodservice, LLC currently is the designated source of supply for most other proprietary and non-proprietary Products.

Location of your Restaurant

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

Building Construction; Fixtures, Equipment, Furniture & Signs

You must satisfy our specifications and standards in constructing and developing your Restaurant. We or JLBA will furnish to you prototypical drawings and specifications for your Restaurant, including requirements for overall dimensions, interior and exterior materials, decor, fixtures, equipment, furniture

and signs. You must retain a licensed architect we designate or approve and submit working drawings, construction and architectural plans and specifications to us for our approval before you begin construction of your Restaurant, and you must submit all revised plans and specifications to us during the course of construction. You must ensure that the plans and specifications comply with the Americans With Disabilities Act and all other applicable federal, state and local laws, ordinances, building code and permit requirements and lease requirements and restrictions. In developing and operating your Restaurant, you may purchase only the types of construction and decorating materials, fixtures, equipment, furniture and signs that we require and have approved as meeting our specifications and standards for quality, design, appearance, function and performance. We or our affiliate, JLBA, may be an approved supplier of one or more of these items.

Computer Hardware and Software

We currently require you to purchase or lease the POS System (including the SpotOn software) from our designated supplier, currently CDI Tech. See Item 11 for further information.

Insurance

At a minimum, you must purchase and maintain for each Restaurant you operate, at your expense: (i) commercial comprehensive general liability insurance with minimum coverage of at least \$1,000,000 per occurrence and at least \$2,000,000 in aggregate coverage; (ii) automobile liability insurance (if you use any vehicles in operating the Restaurant) with minimum coverage of \$500,000 per occurrence; (iii) liquor liability insurance with minimum coverage of \$1,000,000 per occurrence; (iv) property insurance with fire and extended coverage with minimum limits at least equal to replacement cost; (v) building and personal property insurance with minimum limits at least equal to replacement cost; (vi) workers' compensation and other insurance to meet statutory requirements or as we may require in the future and (vii) other insurance as we may require in the future. All insurance policies must insure you, us and our affiliates and their respective officers, directors and employee, and any other person that we designate from all liability, damages or injury, must be purchased from an approved supplier, and must meet all other requirements that we designate. You will provide us with copies of the certificate of insurance, insurance policy endorsements and other evidence of compliance with these requirements as we periodically require at least 2 weeks before you take possession and commence development of the Restaurant premises and at such other times as we may require. In addition, you will provide to us a copy of the evidence of the renewal or extension of each insurance policy in a form we require.

Advertising and Promotional Approval

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

Gift Card Program

You must, at your expense, participate in, and honor all provisions of our gift card program and use our designated provider for gift card processing, which currently is Heartland Payment Systems.

Supplier and Product Approval

Aside from Products and certain supplies and other items described above which you must purchase from us, our affiliates or a source we designate, we will provide you with lists of approved manufacturers, suppliers and distributors ("Approved Suppliers List") and approved Products and services, other inventory

items, fixtures, furniture, equipment, signs, supplies, and other items or services necessary to operate your Restaurant ("Approved Supplies List"). The Approved Suppliers List may specify the specific manufacturer of a specific product or piece of equipment and you can purchase those products only from a source identified on the Approved Suppliers List. For example, you must purchase your branded paper products only from a supplier identified on our Approved Suppliers List. We, an affiliate or a third-party vendor or supplier periodically may be the only approved supplier for certain products. The lists specify the suppliers and the products and services which we have approved for use in the System. We may revise these lists and provide you with a copy of approved lists as we deem advisable. If you propose to use any products, material, fixture, equipment, sign or other item which we have not approved, or purchase any items from any supplier that we have not approved, you must first notify us in writing and must provide us with sufficient information, specifications, samples photographs, drawings or other information to permit us to determine whether the product, service, material, fixture, equipment, sign or other item (or brand of such item) complies with our specifications, or the supplier meets our approved supplier criteria. We will notify you of our decision within a reasonable time following our receipt of all information requested. You must pay the reasonable cost of the inspection and evaluation and the actual cost of the test. We may re-inspect the facilities and products of any supplier or approved item and revoke our approval of any item or supplier which fails to continue to meet any of our criteria. We will send written notice of any revocation of an approved supplier or supply. As part of the approval process, we may require that a proposed supplier sign a supplier agreement covering such items as insurance, product quality, trademark use, and indemnification. We do not provide material benefits to you based on your use of designated or approved sources of supply.

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

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

In the year ending December 31, 2021, we did not receive any revenue as a result of franchisee purchases. Our affiliate, JLBA received approximately \$103,735 in gross revenue in fiscal year 2021 (based on JLBA's unaudited income statement for fiscal year 2021) from franchisee purchases or leases of goods, products and services from JLBA, and any rebates and other payments as otherwise described in this Item 8.

One or more of our officers have an interest in us, our predecessor, JLBA, and CI Sport, Inc. (an approved, but not the only, supplier of uniforms, and hats and shirts for resale). No officer owns a material interest in any other supplier.

Miscellaneous

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

We may license third party suppliers to produce advertising and promotion items which bear the Marks. You may purchase these items for resale or for promotional purposes from approved third party suppliers.

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

We estimate that the purchase or lease of Products, equipment, software, signs, fixtures, furnishings, supplies, advertising and sales promotions materials and other items which meet our specifications will represent approximately 80% to 95% of the cost to develop the Restaurant and 70% to 90% of the cost to operate your Restaurant.

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 2 and 6(A) of Franchise Agreement Section 4 of Development Agreement	Items 7, 8, 11, and 12
b. Pre-opening purchases/leases	Sections 6(B)-(D) and 6(F) of Franchise Agreement	Items 7, 8 and 11
c. Site development and other pre-opening requirements	Sections 6(A)-(F) and 7(A) of Franchise Agreement Section 4 and 5 of Development Agreement	Item 5, 7, and 11
d. Initial and ongoing training	Sections 1(D), 3(B)(4), 7(B), 14(C)-(D) and 15(A) of Franchise Agreement	Items 5, 7 and 11
e. Opening	Sections 6(E)-6(F), 7(C) and 15(A) of Franchise Agreement	Items 5 and 11
f. Fees	Sections 3(B), 4, 5(A)-(B), 6(D), 6(F)-(G), 7(D), 9(L), 11(C) and 14(B) of Franchise Agreement Section 2 of Development Agreement	Items 5, 6 and 7
g. Compliance with standards and policies/ Operations Manual	Sections 3(B), 5(B)-(C), 6(C),(E), (G),(H), 7(D)-(E), 8(A), 9 and 14(B), 15(A) of Franchise Agreement Section 3 of Development Agreement	Items 11 and 16
h. Trademarks and proprietary information	Sections 1(A)-(B), 2(B),6(D), 8, 9(J),9(M), 12, 13(C), 13(D), 17(A) of Franchise Agreement	Items 13 and 14
i. Restriction on products/services offered	Sections 2, 9(C) and 9(E) of Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	Sections 9(F)-(H) of Franchise Agreement Section 4 of Development Agreement	Items 11 and 16
k. Territorial development and sales quotas	Sections 2(B) and (C) of Franchise Agreement Section 1 and 5 of Development Agreement	Items 11 and 12
l. Ongoing product/service purchases	Sections 6(C)-(D), 9(A), 9(E), 9(I) and 9(L) of Franchise Agreement	Items 8 and 11
m. Maintenance, appearance and remodeling requirements	Sections 9(A), (B) and (I) of Franchise Agreement	Items 6 and 11
n. Insurance	Section 9(L) of Franchise Agreement	Items 6, 7 and 8

Obligation	Section in Agreement	Disclosure Document Item
o. Advertising	Sections 5, 6(F), 9(I) and 12(B) of Franchise Agreement	Items 6, 7 and 11
p. Indemnification	Section 18 of Franchise Agreement	None
q. Owner's participation/management/staffing	Sections 9(D) and (K) of Franchise Agreement	Items 11 and 15
r. Records and reports	Section 10 of Franchise Agreement	Item 6
s. Inspections and audits	Section 11 of Franchise Agreement	Item 6
t. Transfer	Section 14 of Franchise Agreement Section 8 of Development Agreement	Items 6 and 17
u. Renewal	Section 3 of Franchise Agreement	Items 6 and 17
v. Post-termination obligations	Sections 13(B), 13(D) and 17 of Franchise Agreement	Item 17
w. Non-competition covenants	Sections 13(C), (D) and (E) of Franchise Agreement	Item 17
x. Dispute resolution	Sections 19 of Franchise Agreement Section 10 of Development Agreement	Item 17

ITEM 10

FINANCING

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

ITEM 11

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

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

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

- (1) Provide reasonable consulting services in your evaluation and selection of a site for the Restaurant and consent to the Restaurant site (Franchise Agreement – Section 7(A) and Exhibit B).
- (2) Provide you with prototype drawings and specifications for your Restaurant, reflecting our requirements for dimensions, interior design and layout, building materials, fixtures, equipment, furniture, signs and décor (Franchise Agreement – Section 7(A)).
- (3) Provide the initial training program described below to your “Operating Principal,” (as defined in Item 15), general manager, bar supervisor and kitchen supervisor (Franchise Agreement – Section 7(B)).
- (4) Provide to you access to the confidential Operations Manual. You must keep the Operations Manual confidential and discontinue using it when the Franchise Agreement terminates (Franchise Agreement – Section 7(E)).
- (5) Provide you with on-site assistance for up to 3 days at our discretion before you open the Restaurant to evaluate the Restaurant's readiness to open (Franchise Agreement – Section 7(C)).

- (6) Make available to you the POS System that we have selected for the System as described further below (Franchise Agreement – Section 6(D)).
- (7) Provide you with the Restaurant opening promotional package (which is included as part of the Initial Franchise Fee) (Franchise Agreement – Section 6(F)).
- (8) Grant you rights to establish a specific number of Restaurants at locations we approve within the Development Area if you sign a Development Agreement (Development Agreement – Section 1(A) and Appendix A).

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

- (1) Make available a field consultant to assist you in the opening and initial operations of your Restaurant, including management-level training for up to 14 days, at our discretion (Franchise Agreement – Section 7(C)).
- (2) Provide additional on-site support for up to 3 days during the first month of operations, at our discretion, to analyze the Restaurant's operation (Franchise Agreement – Section 7(C)).
- (3) Provide advisory services relating to Restaurant operations, including Products and services offered for sale, selecting, purchasing and marketing other approved materials and items, marketing assistance and sales promotion programs, and general administrative and operating procedures (Franchise Agreement – Section 7(D)).
- (4) Periodically provide you with updated and revised materials for the Operations Manual (Franchise Agreement – Section 7(E)).
- (5) Operate the Production Fund (Franchise Agreement – Section 5(A)).

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

We have established and operate a production and marketing fund (the "Production Fund") to promote JL Beers® Restaurants in the System and conduct other promotional and marketing activities. You will pay us a weekly production fee in an amount we determine, not to exceed 2% of your Restaurant's Net Sales (the "Production Fee"). Currently, you must pay us 0.50% of your Restaurant's Net Sales as a Production Fee. We will deposit the Production Fee in the Production Fund that we manage through a separate account. We may use the Production Fund in connection with the general promotion of the Marks and Systems, including the cost of preparing, producing, and conducting production art (including templates for postcards, menus, and beer descriptions); developing and maintaining the JL Beers® website; developing and maintaining applications related to the System; promoting the System on social media; conducting market analytics and similar activities; and formulating, developing and implementing advertising, marketing, promotional and public relations campaigns. We may contract with various outside advertising agencies and third party vendors as well as our affiliate (JLBA) to produce certain advertising production and promotional materials and to create and implement public relations campaigns. We also may develop an in-house staff to assist in providing these services. We will determine the use of monies in the Production Fund. We are reimbursed for reasonable administrative costs and overhead incurred in administering the Production Fund.

We are not required to spend any particular amount on marketing, advertising or production in the area in which your Restaurant is located. Production Fees not spent in any fiscal year will be carried over for future use. We may make loans to the Production Fund bearing reasonable interest to cover any deficit of the Production Fund and cause the Production Fund to invest in a surplus for future use by the Production

Fund. Production Fees will not be used for advertising principally directed at the sale of franchises. At your request, we will provide you with an annual unaudited statement of the receipts and disbursements of the Production Fund for the most recent calendar year.

Each new JL Beers® franchisee must pay the Production Fee at the same rate. In addition, each Restaurant that we or our affiliates own will contribute to the Production Fund on the same basis as the majority of franchisees. In our fiscal year ended December 31, 2020, we spent amounts from the Production Fund as follows: Website Development Hosting – 12.32%; Design – 83.37%, and Advertising and Communication – 4.31%.

You may develop advertising and promotional materials for your own use, at your own cost, if your materials are factually correct, accurately depict the Marks and otherwise comply with the JL Beers Brand Guide, and communicate the brand position and character that we have established for JL Beers® Restaurants. If you develop advertisement and promotional materials, you must provide a copy of the materials to us for our review and approval (in writing) before you use the advertising materials.

Point-of-Sale System. You must purchase or lease the SpotOn point-of-sale system (“POS System”) we designate from our designated third party supplier, currently CDI Tech, or from another source or sources we designate. We estimate that the initial cost for the POS System will be \$10,000 to \$15,000 if you purchase it and \$2,000 to \$ 3,000 if you lease it.

The POS System is an electronic cash and credit management system that we began using in February 2020. Its principal functions are to: (1) collect information about the nature of sales transactions in your Restaurant, (2) manage that data in offsite data centers, and (3) provide a permanent financial record of those transactions. The types of information and reporting that it will collect and generate are sales by product, category and item; daily cash receipt and credit data; maintenance of product pricing information; and various other financial information to prepare management reports.

The current approved minimum components for the POS System are an SpotOn Workstation terminal and licensed SpotOn software, including integrated credit and gift card processing functionality (together with other software that we may require for use with the POS System, the “Proprietary Software”).

The hardware and software is sourced from and supported through CDI Tech and they currently are the only designated supplier. SpotOn retains ownership of the software, and the software currently is licensed to you through CDI Tech. We have the right in the future to designate suppliers of the POS System in place of or in addition to CDI Tech. In addition, we have the right at all times to designate a single supplier of the POS System.

We have not approved compatible equivalent hardware components to the POS System at this time, but have the right to do so in the future.

You may be required to obtain ongoing maintenance and repairs respecting the POS System, as well as upgrades or updates respecting any Proprietary Software. If we designate Proprietary Software, you must pay us, our affiliates or our designated third party supplier a software support fee. You currently must pay CDI Tech a monthly maintenance support fee (\$100 to \$200 for a system you purchase and \$329 to \$499 for a system you lease) related to your use of the Proprietary Software, which we estimate will cover the cost of any required or optional maintenance, updating, upgrading or support. We currently do not directly charge a software support or technology fee, although we may do so in the future. There are no contractual limitations on the frequency and cost of additional upgrades, updates, maintenance or repair, other than the requirement that the fee be reasonable in light of costs our designated supplier or we incur to provide these services. You must incorporate these upgrades and updates to the POS System.

As part of the integrated credit and gift card processing, you will need to purchase and maintain a monthly subscription for high-speed internet services from a provider that has the capability to work with the POS System.

We will have independent access to certain operational and financial information and data produced by your POS System. (Franchise Agreement, Section 6(D)). There are no contractual limitations on our right to access the information and data.

In addition, you must install and maintain a hardware based firewall security system. The cost to implement and maintain the firewall system will be your responsibility. Currently, the firewall is sourced and supported through CDI Tech and they are currently the only designated supplier of the firewall, although we may designate another supplier in the future. We have the right in the future to designate suppliers of the firewall system in place of or in addition to CDI Tech. In addition, we have the right at all times to designate a single supplier of the firewall system.

You are required to participate in our gift card program through Heartland Payment Systems. Currently, Heartland Payment Systems charges a monthly fee of \$25 per month, per Restaurant.

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

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

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

If you enter into a Development Agreement, we and you will have agreed to one or more Development Areas and a Development Schedule which identifies the number of Restaurants you will develop and the timing of that development. If you fail to open a Restaurant by the applicable deadline stated in the Development Schedule, we have the right to terminate the Development Agreement and/or grant individual or multiple unit franchises to third parties and/or open company-owned Restaurants within the Development Area.

Training. Before you open your Restaurant, we will provide the initial training program to your Operating Principal, general manager, bar supervisor and kitchen supervisor. Our initial training program

is conducted at our corporate training center in Fargo, North Dakota, or another location we designate. We currently plan to offer the initial training program as we determine is necessary during the upcoming year but no more often than once every two months. The initial training program includes classes conducted at other designated locations and on-the-job training provided at our local Restaurants and will take place over a period of up to 15 days for the Operating Principal and general manager and over a period of up to 10 days for the bar supervisor and kitchen supervisor. The initial training program includes instruction relating to Restaurant operations, understanding the equipment and product use, costs and cash control, customer service, comprehensive marketing and sales programs, accountability for sales and marketing, and methods of controlling operating costs. The Operating Principal and general manager may be the same person.

You may not open your Restaurant unless each of the Operating Principal, general manager, kitchen supervisor and bar supervisor successfully completes the initial training program. If we determine that the proposed Operating Principal, general manager, kitchen supervisor or bar supervisor is not qualified to manage the Restaurant, we will allow you to select a substitute Operating Principal, general manager, kitchen supervisor or bar supervisor to complete the initial training program at an additional expense to you.

The initial training program consists of the following:

TRAINING PROGRAM

Subject	Training Hours	Hours of On-the-Job Training	Location
Day 1 - Classroom			
Mission, Values, History of JL Beers	1.0 hour		Fargo, ND
Pre-Opening	2.5 hours		Fargo, ND
Human Resources	2.5 hours		Fargo, ND
Marketing	2.5 hours		Fargo, ND
Walk through JL Beers Store	1.5 hours		Fargo, ND
Day 2 - Classroom			
Customer Service	2.5 hours		Fargo, ND
Food Safety & Sanitation	2.5 hours		Fargo, ND
Alcohol Management	2.0 hours		Fargo, ND
Beer 101	2.0 hours		Fargo, ND
Day 3			
Safety & Security	1.5 hours		Fargo, ND
JL Beers Philosophy	2.0 hours		Fargo, ND
Inventory Management /Cost Control	1.0 hour		Fargo, ND
Operational & Financial Reporting	1.5 hours		Fargo, ND
Quality Assurance	2.0 hours		Fargo, ND
Wrap-Up/ Review/Testing	1.0 hour		Fargo, ND
Days 4 – 13 (to 15 at our option)			
On-the-Job Training		126 hours	TBD
TOTAL	28 hours	126 hours	

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

Lance Thorson oversees the initial training program. Lance has been our Project Manager and Director of Development since January 2013 and has served in various operational capacities for our restaurant affiliates since July 2009. All other individuals involved in training will have at least two years of experience in food service and will be employed by us or one of our affiliates for at least 12 months.

We do not charge a fee for the initial training program. You are responsible for travel and living expenses that your Operating Principal, general manager, kitchen supervisor and bar supervisor incur while attending the initial training program. See Item 7 for additional information on travel and living expenses.

After you open your Restaurant, any new Operating Principal and all new Restaurant general managers, kitchen supervisors and bar supervisors must successfully complete our manager certification program that we designate. We may charge you a fee for this training. In addition, we may require that you (or a Principal Owner) and your Operating Principal and any general manager, kitchen supervisor and bar supervisor attend supplemental and refresher training programs during the term of the Franchise Agreement for up to 7 days each calendar year. We may determine the time and place of this additional training and may charge you a reasonable fee for the training. The Operating Principal may conduct the manager or supervisor certification program, although we reserve the right to require that we certify any manager or supervisor.

Operations Manual. During the term of the Franchise Agreement, we will allow you to access our Operations Manual (the “Operations Manual”). The current table of contents of the Operations Manual is as follows:

Chapter in Operations Manual	Number of Pages
Table of Contents	5
Introduction	18
Pre-Opening Procedures	70
Human Resources	94
Daily Operation Procedures	154
Managing a JL Beers Business	69
Marketing and Advertising	37
TOTAL	447

Our Obligations Under the Development Agreement. Except as described above, we do not have additional obligations under the Development Agreement.

ITEM 12

TERRITORY

If your Restaurant is located in a “Market Area” (as defined below) with a population of less than 50,000, you will receive a “Protected Territory” equal to a 3-mile radius surrounding the Restaurant location. If your Restaurant is located in a Market Area with a population of 50,000 to 250,000, you will receive a “Protected Territory” equal to a 2-mile radius surrounding the Restaurant location. If your Restaurant is located in a Market Area with a population of more than 250,000, you will receive a “Protected Territory” equal to a 1-mile radius surrounding the Restaurant location. During the term of the Franchise Agreement, if you are complying with the provisions of the Franchise Agreement, we will not establish any other franchised or company-owned JL Beers® restaurants in the Protected Territory. You will not receive an exclusive territory because your Protected Territory does not include any “Captive Market Locations.” The term “Captive Market Locations” means airports and other locations identified in Exhibit A to the Franchise Agreement that do not have direct street access. “Market Area” means the geographical area within a metropolitan area we identified with a population as determined by the most recent U.S. census.

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

You may relocate your Restaurant only with our written consent, which we will not unreasonably withhold. If we permit you to relocate your Restaurant, you will pay us a relocation fee of \$5,000 for services we will provide in assisting you in relocating your Restaurant. In addition, you will need to build out the Restaurant consistent with our then-current standards for new Restaurants.

We (for ourselves and our affiliates) reserve the right to sell Products in your Protected Territory under the Marks through dissimilar channels of distribution (i.e., other than the operation of full-service Restaurants), including by direct mail, wholesale activities and electronic means such as the Internet and websites we establish. We also reserve the right to sell any Products or services in your Protected Territory under trademarks other than the Marks through similar or dissimilar channels of distribution, including by electronic means such as the Internet and by websites we establish. We may advertise the System on the Internet and may create, operate, change or discontinue the use of a website using the Marks. We may grant franchises anywhere outside your Protected Territory and we may operate or grant others licenses to operate a JL Beers® Restaurant in any Captive Market Location within or outside your Protected Territory. We may sell anywhere at both wholesale and retail all products and services which are not a part of the System. We also may operate and franchise others to operate restaurants using different trademarks even if these restaurants compete with your Restaurant. In addition, we and other JL Beers® franchisees may serve customers who reside in your Protected Territory without compensation to you.

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

Except as disclosed, neither we nor any affiliate operates, franchises, or has any current plans to operate or franchise any business selling the Products and services authorized for sale at a JL Beers® Restaurant under any other trademark or service mark.

Development Agreement

If you enter into a Development Agreement, you will receive the right to develop multiple JL Beers® Restaurants within a non-exclusive Development Area described in Appendix A to the Development Agreement, pursuant to a specific Development Schedule. The size of the Development Area will vary, depending on such factors as the number of Restaurants you intend to open, the population density and the demographics in the area or areas in which you desire to operate. The Development Area may be one or more counties in smaller cities, and may be a portion of a metropolitan statistical area in heavily-populated major cities. The Development Area will not include any Captive Market Locations located within the geographic boundaries of the Development Area.

Under the Development Agreement, you will not receive an exclusive territory. You may face competition from other franchisees, from company-owned Restaurants, or from other channels of distribution or competitive brands that we control.

During the term of the Development Agreement, however, we will not open (directly or through an affiliate), nor grant a franchise to a third party to operate, any JL Beers® Restaurant within the Development Area, except franchises granted to you (or your affiliated entity) or JL Beers® Restaurants for Captive Market Locations located within the Development Area, provided you are in full compliance with the conditions contained in the Development Agreement. These conditions include the satisfaction of all development obligations under the Development Schedule and your (and your affiliates') full compliance with all obligations under each Franchise Agreement you and any affiliated entities sign with us for individual Restaurants. If you fail to comply with the Development Schedule, we may terminate the Development Agreement and/or grant individual or multiple unit franchises to third parties and/or open company-owned Restaurants within the Development Area.

We (for ourselves and our affiliates) specifically reserve the right, without any compensation to you or any other franchisee and regardless of whether they compete with your Restaurants located within the Development Area, to engage in all of the same activities within and outside of the Development Area as we reserved the right to engage in within and outside of the Protected Territory under each Franchise Agreement, as described above in this Item 11. See Section 4(C) of Development Agreement.

ITEM 13

TRADEMARKS

We grant you the right under the Franchise Agreement to operate your Restaurant under the name "JL Beers," a federally registered service mark and other trademarks or service marks (the "Marks").

The following schedule list only the principal Marks that you are licensed to use. We have filed all required affidavits for those Marks listed below.

Principal Trademarks	U.S. Registration Or Serial No.	Registration Date	Principal/Supplemental Register
JL BEERS	Reg. No. 3943622	April 12, 2011	Principal
HUMPTY DUMPTY	Reg. No. 3970427	May 31, 2011	Principal
JL BURGER	Reg. No. 4052678	November 8, 2011	Principal
SEATING FOR 1000, 47 AT A TIME	Reg. No. 4183461	July 31, 2012	Principal
Beer Mail	Reg. No.4604198	September 16, 2014	Principal

We acquired each of the principal Marks (other than "Beer Mail") from the Predecessor, JLBA or one of their affiliates.

We have the right to periodically change the list of Marks. Your use of the Marks and any goodwill is to our exclusive benefit and you retain no rights in the Marks. You also retain no rights in the Marks when the Franchise Agreement expires or terminates. You are not permitted to make any changes or substitutions respecting the Marks unless we direct in writing. You may not use any Mark or portion of any Mark as part of any corporate or any trade name, or any modified form or in the sale of any unauthorized product or service, or in any unauthorized manner. You may not use any Mark or portion of any Mark on any website without our prior written approval.

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

that significantly limit our rights to use or license the use of any principal Marks in any manner material to the franchise.

You must immediately notify us of any apparent infringement of or challenge to your use of any Marks, and we have sole discretion to take any action we deem appropriate. We are unaware of any infringing uses or superior rights that could materially affect your use of the principal 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 relating to the Marks and we will have the sole right to decide to pursue or settle any infringement actions relating to the Marks. You must notify us promptly of any infringement or unauthorized use of the Marks of which you become aware. If we determine that a trademark infringement action requires changes or substitutions to the Marks, you will make these changes or substitutions at your own expense.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

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

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

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Franchise Agreement

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

general manager may be the same person. We recommend that the Operating Principal have food service experience.

Each individual who owns a 10% or greater interest in the franchisee entity is considered a “Principal Owner” and must sign the Guaranty and Assumption of Obligations attached to the Franchise Agreement. These people agree to discharge all obligations of the franchisee entity to us under the Franchise Agreement and are bound by all of its provisions, including maintaining the confidentiality of Confidential Information described in Item 14 and complying with the non-compete covenants described in Item 17. Each Principal Owner who is not the Operating Principal also must complete portions of the initial training program as described in Item 11. This training will extend from 3 - 5 days.

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

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell in your Restaurant all, and only, those Products and services that we have approved (see Item 8). You must at all times maintain an inventory of approved Products and other items in such quantities and variety that we direct. We may add new Products or services that you must offer at or use in your Restaurant. Our right to modify the approved list of Products and services to be offered at a Restaurant is not limited.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement, Development Agreement (D.A.) or Other Agreement	Summary
a. Length of the franchise term	Section 3 Section 6 of D.A.	15 years. Varies by Development Schedule.
b. Renewal or extension of the term	Section 3	If you are in good standing, you can renew the Franchise Agreement for 2 additional 5 year terms.
c. Requirements for you to renew or extend	Section 3	Provide advance notice, comply with current franchise agreement, your Operating Principal satisfactorily complete any new/refreshers training programs, sign new agreement (which may contain materially different terms and conditions than your original Franchise Agreement), remodel, provide proof you will maintain possession of the Restaurant premises, pay renewal fee, and sign a general release of claims.
d. Termination by you	Section 16 Section 7 of D.A.	If you comply with the Franchise Agreement, and we fail to cure a material provision within 60 days after written notice. D.A.: You may terminate the agreement with or without cause with written notice
e. Termination by us without cause	Not Applicable	

Provision	Section in Franchise Agreement, Development Agreement (D.A.) or Other Agreement	Summary
f. Termination by us with cause	Sections 15 Section 7 of D.A.	We may terminate the Franchise Agreement only if you default.
g. "Cause" defined – curable defaults	Sections 15(A) and (B) Section 7 of D.A.	You have 30 days to cure failure to open Restaurant when required, failure to complete training, failure to comply with System standards, failure to conform to System and a violation of any material provision of the Agreement. You have 10 days to cure a failure to pay amounts due us or any creditors. You have 72 hours to cure a health code violation. D.A.: You have 30 days to cure unless you default is not curable under 7(A) or 7(B).
h. "Cause" defined – non-curable defaults	Sections 15(A) and (B) Section 7 of D.A.	Failure on 3 or more occasions in any 12 months to comply with any provision, default which is not curable, repeatedly deceive Restaurant customers, a material misrepresentation on franchise application, conviction of or proof that you or any managers have committed a felony or other crime which harms the Restaurant's reputation, insolvency, an assignment of assets to creditors, Restaurant abandonment, defaults which injures the goodwill associated with the Marks, unauthorized assignment of agreement or interest, operation of the Restaurant results in a threat to public health or safety, your lease expires or is terminated, or you falsify applications or reports. D.A.: Non-curable defaults include insolvency, violating a law relating to the operation of the Restaurant, any attempt to subfranchise, repeated failure to comply with one or more material requirements and the nature of breach makes it incurable
i. Your obligations on termination/nonrenewal	Section 17 and 13(B)	Cease operation of the Restaurant and use of Marks, pay all amounts due us, stop using and return manuals and other materials, assign to us the Restaurant telephone number and telephone listing or (at our option) disconnect the telephone number, remove all signs and other materials containing any Marks, comply with obligations under any proprietary software license/access agreements, cancel all fictitious or assumed name filings, cease using Confidential Information, sell back to us or return all Products, and agree not to divert Restaurant customers to any competing business for 2 years (also see o, r below).
j. Assignment of contract by us	Section 14(A)	Assignee must fulfill our obligations under the agreement.
k. "Transfer" by you-defined	Section 14(B) Section 8 of D.A.	Includes transfer of Restaurant or its assets, or your interest in agreement or any significant ("controlling interest") ownership change.
l. Our approval of transfer by franchisee	Sections 14(B) and (C) Section 8 of D.A.	We have the right to approve all transfers of the Franchise Agreement, but will not unreasonably withhold approval.
m. Conditions for our approval of transfer	Section 14(B) Section 8 of D.A.	New franchisee qualifies and completes training, all amounts owed us or our affiliates are paid, and you are in good standing, new franchisee assumes existing Agreement or (at our option) signs then-current agreement, we approve transfer agreement, transfer fee paid, lease assigned (if applicable), you sign non-compete agreement and general release. D.A.: Franchisee is in compliance with Agreement, proposed transferee approved by Franchisor, proposed transferee has completed training program, interest transferred in individual franchise agreements located in the development area and transfer fee paid.

Provision	Section in Franchise Agreement, Development Agreement (D.A.) or Other Agreement	Summary
n. Our right of first refusal to acquire your business	Section 14(E)	We can match any offer for your business.
o. Our option to purchase your business	Section 17(C)	When the Franchise Agreement expires or terminates, we may purchase assets at fair market value, less the value of any goodwill associated with our trademarks and other intangible assets.
p. Your death or disability	Section 14(C)	Franchise must be assigned by estate to an approved buyer within reasonable time not exceeding 12 months.
q. Non-competition covenants during the term of the franchise	Section 13(C) and (E)	No involvement in competing business that offers hamburgers and beers and that derives 25% of total revenue from the sale of hamburgers, chicken sandwiches, beers and other alcoholic beverages, fries and chips.
r. Non-competition covenants after the franchise is terminated or expires	Sections 13(D) and (E) and 17(A)	No involvement in competing business that offers hamburgers and beers and that derives 25% of total revenue from the sale of hamburgers, chicken sandwiches, beers and other alcoholic beverages, fries and chips within a 10 mile radius of the former site of the Restaurant or any other then-existing JL Beers® restaurant. Also, no operation of a restaurant business at the former site of the Restaurant if the restaurant sells hamburgers.
s. Modification of the agreement	Sections 1(B), 1(I), 7(E) and 20(F) and (M)	No modifications generally, except in writing. We may modify Operations Manual, Marks, System and goods/services to be offered to your Restaurant.
t. Integration/merger clause	Section 20(M)	Only the terms of the Franchise Agreement (including exhibits) are binding (subject to federal and state law). Any other promises may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 19 Section 10 of D.A.	Except for actions we bring for monies owed, injunctive or extraordinary relief, or actions involving real estate, all disputes first will be subject to non-binding mediation at our corporate headquarters at the time the mediation is filed, then (if not resolved) to binding arbitration in Minneapolis, Minnesota.
v. Choice of forum	Section 20(D) Section 10 of D.A.	Litigation must be in state or federal court in the state where our corporate headquarters is located at the time the suit is commenced (subject to state law). We also have the right to file suit where the Restaurant is located (subject to applicable law).
w. Choice of law	Section 20(E) Section 10 of D.A.	Laws of state where Restaurant is located applies.

ITEM 18

PUBLIC FIGURES

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

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the

actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

The data presented in TABLE A of this Item 19 reflects the average Net Sales reported to us from the 10 JL Beers® Restaurants in operation for the entire calendar year ending December 31, 2021. The data has not been audited. Of these 10 Restaurants, 7 are “company owned” Restaurants, meaning they are owned by entities under common control with us. The remaining 3 Restaurants are franchised locations.

TABLE A	
Average Annual Net Sales for Year Ended December 31, 2021	\$1,326,478

(1) “Net Sales” means the aggregate amount of all sales of food and beverages, including beer and other alcoholic beverages, together with clothing items, growlers, glassware, and all other goods and services, whether for cash, on credit or otherwise, made or provided in connection with the Restaurant, including off-premises sales and monies derived at or away from the Restaurant, but excluding taxes paid or accrued, adjustments for net returns and discounts for employee meals.

(2) Of the 10 Restaurants, 5 Restaurants (50%) met or exceeded the average Net Sales for calendar year 2021. The range of annual Net Sales of the Restaurants for calendar year 2021 was \$845,072 to \$1,756,554.

(3) The median of Net Sales for the Restaurants for calendar year 2021 was \$1,342,392. “Median is the numerical value separating the higher half of the sample from the lower half of the sample. As a result, in all cases when a median number is stated, approximately 50% of the Restaurants met or exceeded the stated median.

(4) Of the 10 Restaurants, 1 Restaurant opened in 2009, 1 Restaurant opened in 2010, 1 Restaurant opened in 2011, 2 Restaurants opened in 2012, 2 Restaurants opened in 2014, 1 Restaurant opened in 2015 and 2 Restaurants opened in 2016.

(5) Due to COVID-19-related government restrictions or regulations on restaurants during 2021, which varied by state and locality, and changed during the year, 8 of the 10 the Restaurants were not able to remain open at full dine-in capacity and services for all of 2021. In North Dakota, where 7 of the Restaurants are located, dine-in was allowed in restaurants with certain guidelines in place: from January 1 to January 7, dine-in was restricted in restaurants to 50% capacity; from January 8 to January 17, dine-in was restricted in restaurants to 65% capacity; and on January 18, the restrictions were lifted and dine-in was permitted at full capacity. In Minnesota, where 1 of the Restaurants is located, dine-in was allowed in restaurants with certain guidelines in place: from January 1 to March 14, dine-in was restricted in restaurants to 50% capacity; from March 15 to May 26, dine-in was restricted in restaurants to 75% capacity; and on May 27, the restrictions were lifted and dine-in was permitted at full capacity.

The data presented in TABLE B of this Item 19 reflects the average Net Sales reported to us from the 11 JL Beers® Restaurants in operation for the entire calendar year ending December 31, 2020. The data has not been audited. Of these 11 Restaurants, 8 are “company owned” Restaurants, meaning they are owned by entities under common control with us. The remaining 3 Restaurants are franchised locations.

TABLE B	
Average Annual Net Sales for Year Ended December 31, 2020	\$1,030,754

(1) “Net Sales” means the aggregate amount of all sales of food and beverages, including beer and other alcoholic beverages, together with clothing items, growlers, glassware, and all other goods and

services, whether for cash, on credit or otherwise, made or provided in connection with the Restaurant, including off-premises sales and monies derived at or away from the Restaurant, but excluding taxes paid or accrued, adjustments for net returns and discounts for employee meals.

(2) Of the 11 Restaurants, 6 Restaurants (55%) met or exceeded the average Net Sales for calendar year 2020. The range of annual Net Sales of the Restaurants for calendar year 2020 was \$630,141 to \$1,463,982.

(3) The median of Net Sales for the Restaurants for calendar year 2020 was \$1,085,778. “Median is the numerical value separating the higher half of the sample from the lower half of the sample. As a result, in all cases when a median number is stated, approximately 50% of the Restaurants met or exceeded the stated median.

(4) Of the 11 Restaurants, 1 Restaurant opened in 2009, 1 Restaurant opened in 2010, 2 Restaurants opened in 2011, 2 Restaurants opened in 2012, 2 Restaurants opened in 2014, 1 Restaurant opened in 2015 and 2 Restaurants opened in 2016.

(5) Due to COVID-19-related government restrictions or regulations on restaurants during 2020, which varied by state and locality, and changed during the year, 9 of the 11 the Restaurants were not able to remain open at full capacity and services for all of 2020. In North Dakota, where 7 of the Restaurants are located, from March 20 to April 30, dine-in was restricted in restaurants and only to-go orders were allowed; from June 1 to mid-October, dine-in was allowed in restaurants with certain guidelines in place; from mid-October to mid-November, dine-in was restricted in restaurants to 25% capacity; and from mid-November to the end of 2020, dine-in was restricted in restaurants to 50% capacity. In Minnesota, where 2 of the Restaurants are located, from March 17 to June 9, dine-in was restricted and only to-go orders were allowed, with outdoor dining allowed after June 1; from June 10 to November 19, dine-in was allowed in restaurants with certain restrictions in place; and from November 20 to the end of 2020, dine-in was restricted in restaurants to 50% capacity.

The data presented in TABLE C of this Item 19 reflects the average Net Sales reported to us from the 11 JL Beers® Restaurants in operation for the entire calendar year ending December 31, 2019. The data has not been audited. Of these 11 Restaurants, 8 are “company owned” Restaurants, meaning they are owned by entities under common control with us. The remaining 3 Restaurants are franchised locations.

TABLE C	
Average Annual Net Sales for Year Ended December 31, 2019	\$1,243,767

(1) “Net Sales” means the aggregate amount of all sales of food and beverages, including beer and other alcoholic beverages, together with clothing items, growlers, glassware, and all other goods and services, whether for cash, on credit or otherwise, made or provided in connection with the Restaurant, including off-premises sales and monies derived at or away from the Restaurant, but excluding taxes paid or accrued, adjustments for net returns and discounts for employee meals.

(2) Of the 11 Restaurants, 6 Restaurants (55%) met or exceeded the average Net Sales for calendar year 2019. The range of annual Net Sales of the Restaurants for calendar year 2019 was \$754,380 to \$1,577,292.

(3) The median of Net Sales for the Restaurants for calendar year 2019 was \$1,314,546. “Median is the numerical value separating the higher half of the sample from the lower half of the sample. As a result, in all cases when a median number is stated, approximately 50% of the Restaurants met or exceeded the stated median.

(4) Of the 11 Restaurants, 1 Restaurant opened in 2009, 1 Restaurant opened in 2010, 2 Restaurants opened in 2011, 2 Restaurants opened in 2012, 2 Restaurants opened in 2014, 1 Restaurant opened in 2015 and 2 Restaurants opened in 2016.

We recommend that you make your own independent investigation to determine whether or not to purchase this franchise, and consult with an attorney and other advisors before signing any Franchise Agreement. You should conduct an independent investigation of the costs and expenses in operating a Restaurant.

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

We will, on reasonable request, provide to you written substantiation for all information illustrated in this Item 19.

Other than the preceding 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 Randy Thorson at 16 Broadway, Suite 208, Fargo, North Dakota 58102, (701) 237-5151 (Ext. 11), the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

TABLE NUMBER 1
Systemwide Restaurant Summary
For Years 2019-2021

Restaurant Type	Year	Restaurants at the Start of the Year	Restaurants at the End of the Year	Net Change
Franchised	2019	4	3	-1
	2020	3	3	0
	2021	3	3	0
Company-Owned	2019	8	8	0
	2020	8	8	0
	2021	8	7	-1
Total Restaurants	2019	12	11	-1
	2020	11	11	0
	2021	11	10	-1

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

State	Year	Number of Transfers
TOTAL	2018	0
	2019	0
	2020	0

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

State	Year	Restaurants at the Start of the Year	Restaurants Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Stores at the End of the Year
Minnesota	2019	2	0	0	0	0	1	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
North Dakota	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
TOTAL	2019	4	0	0	0	0	1	3
	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3

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

State	Year	Restaurants at the Start of the Year	Restaurants Opened	Restaurants Reacquired From Franchisees	Restaurants Closed	Restaurants Sold to Franchisees	Restaurants at the End of the Year
Minnesota	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	1*	0	0
North Dakota	2019	5	0	0	0	0	5
	2020	5	0	0	0	0	5
	2021	5	0	0	0	0	5
South Dakota	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
TOTAL	2019	8	0	0	0	0	8
	2020	8	0	0	0	0	8
	2021	8	0	0	1*	0	7

***The restaurant located in Moorhead, MN was closed on 7/31/2021 due to labor shortages and was reopened on 4/6/2022.**

**TABLE NUMBER 5
Projected Openings
As of December 31, 2021**

State	Franchise Agreements Signed But Restaurant Not Opened	Projected New Franchised Restaurants through the End of the Current Fiscal Year	Projected New Company-Owned Restaurants through the End of the Current Fiscal Year
Minnesota	0	0	0
North Dakota	0	0	0
South Dakota	0	0	0
TOTAL	0	0	0

Attached as Exhibit H is a list of all current JL Beers® franchisees as of December 31, 2021. Exhibit H also identifies any former JL Beers® franchisees who had an agreement terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during our last fiscal year, or have not communicated with us within ten weeks of the date of this disclosure document.

If you buy a JL Beers® franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

We have no trademark specific franchisee association.

ITEM 21

FINANCIAL STATEMENTS

Attached as Exhibit A are our audited financial statements for the fiscal years ended December 31, 2021, 2020 and 2019.

ITEM 22

CONTRACTS

The Franchise Agreement (including the Personal Guaranty) is attached as Exhibit B. The Multiple Restaurant Development Agreement is attached as Exhibit C. The State Addenda are attached as Exhibit E. The General Release Form is attached as Exhibit F. The Disclosure Acknowledgment Agreement is attached as Exhibit G.

ITEM 23

RECEIPTS

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

EXHIBIT A
FINANCIAL STATEMENTS



Financial Statements
December 31, 2021 and 2020
JL Beers Franchising, Inc.

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Independent Auditor's Report

To the Board of Directors
JL Beers Franchising, Inc.
Fargo, North Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of JL Beers Franchising, Inc., which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JL Beers Franchising, Inc. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 JL Beers Franchising, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 JL Beers Franchising, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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. 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of JL Beers Franchising, 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about JL Beers Franchising, 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.



Fargo, North Dakota
March 4, 2022

JL Beers Franchising, Inc.

Balance Sheets

December 31, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash	\$ 666,676	\$ 214,778
Receivables from franchisees	45,812	48,516
Due from affiliate	-	400,000
Prepays	7,329	8,909
Total current assets	719,817	672,203
	<u>\$ 719,817</u>	<u>\$ 672,203</u>
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 1,103	\$ 10,654
Gift cards payable to franchisees	315,995	309,217
Deferred initial franchise fees, current portion	2,473	2,473
Deferred production fund revenue	48,425	28,002
Accrued bonuses	11,054	-
Total current liabilities	379,050	350,346
Deferred initial franchise fees, less current portion	16,681	19,155
Total liabilities	395,731	369,501
Stockholders' Equity		
Common stock, no par value, authorized 1,000 voting shares and 99,000 non-voting shares, issued 1,000 voting shares and and 0 non-voting shares	-	-
Additional paid-in-capital	87,533	87,533
Retained earnings	236,553	215,169
Total stockholders' equity	324,086	302,702
	<u>\$ 719,817</u>	<u>\$ 672,203</u>

JL Beers Franchising, Inc.
Statements of Operations
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenues		
Royalty fee revenue	\$ 172,080	\$ 138,178
Production fund revenue	48,811	88,647
Initial franchise fee revenue	<u>2,473</u>	<u>2,473</u>
Total revenue	<u>223,364</u>	<u>229,298</u>
Operating Expenses		
General and administrative expenses		
Legal fees	4,010	3,329
Professional fees	9,261	8,932
Administration fees	48,000	48,000
Bonus expense	18,226	-
Other expenses	<u>10,973</u>	<u>13,832</u>
Total general and administrative expenses	90,470	74,093
Production fund expenses	<u>48,874</u>	<u>88,647</u>
Total operating expenses	<u>139,344</u>	<u>162,740</u>
Net Income	<u>\$ 84,020</u>	<u>\$ 66,558</u>

JL Beers Franchising, Inc.
Statements of Stockholders' Equity
For the Years Ended December 31, 2021 and 2020

	Common Stock Shares	Additional Paid in Capital	Retained Earnings	Total Stockholders' Equity
December 31, 2019	1,000	\$ 87,533	\$ 232,279	\$ 319,812
Stockholder distributions	-	-	(83,668)	(83,668)
Net income	-	-	66,558	66,558
December 31, 2020	1,000	87,533	215,169	302,702
Stockholder distributions	-	-	(62,636)	(62,636)
Net income	-	-	84,020	84,020
December 31, 2021	<u>1,000</u>	<u>\$ 87,533</u>	<u>\$ 236,553</u>	<u>\$ 324,086</u>

JL Beers Franchising, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Activities		
Net income	\$ 84,020	\$ 66,558
Changes in assets and liabilities		
Receivables from franchisees	2,704	8,188
Prepays	1,580	514
Accounts payable	(9,551)	6,079
Gift card payable	6,778	52,585
Deferred initial franchise fees	(2,474)	(2,473)
Deferred production fund revenue	20,423	(31,875)
Accrued bonuses	11,054	(15,100)
Net Cash from Operating Activities	114,534	84,476
Investing Activities		
Receipts from affiliate	400,000	-
Advances to affiliate	-	(400,000)
Net Cash from (used for) Investing Activities	400,000	(400,000)
Financing Activity		
Distributions paid	(62,636)	(83,668)
Net Change in Cash	451,898	(399,192)
Cash at Beginning of Year	214,778	613,970
Cash at End of Year	<u>\$ 666,676</u>	<u>\$ 214,778</u>

Note 1 - Principal Business Activity and Significant Accounting Policies

Principal Business Activity

JL Beers Franchising, Inc. was formed on January 2, 2013 for the purpose of owning and managing franchise restaurant operations and to engage in other general business purposes. The Company managed 11 franchisees as of December 31, 2021 and 2020, respectively. These franchisees included 8 company owned restaurants through a common ownership related party. The Company awarded no new franchises in 2021 and 2020. The Company did not close any franchises in 2021 and 2020.

Franchisees	Location
Franchisees under common ownership	
JL Beers, Inc.	Fargo, North Dakota
JLB South, Inc.	Fargo, North Dakota
JLB WF, Inc.	West Fargo, North Dakota
JLB BIS, Inc.	Bismarck, North Dakota
JLB GF, Inc.	Grand Forks, North Dakota
JLB MHD, Inc.	Moorhead, Minnesota
JLB SF, Inc.	Sioux Falls, South Dakota
JLB SF2, Inc.	Sioux Falls, South Dakota
Franchisees not under common ownership	
FABAB BV, Inc.	Burnsville, Minnesota
ZZ Food Group, LLC	Minot, North Dakota
Six Shooters, LLC	Watford City, North Dakota

Concentration of Credit Risk

The Company maintains its cash accounts in various deposit accounts, the balances of which are periodically in excess of federally insured limits.

Estimates

The presentation of the financial statement in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

Receivables and Credit Policy

Receivables due from franchisees are uncollateralized obligations due under normal terms requiring payment within 30 days. Receivables are stated at the amount billed to the franchisees.

The Company estimates an allowance for doubtful accounts based on evaluation of the current status of receivables, historical experience, and other factors as necessary. It is reasonably possible that the Company's estimate of allowance for doubtful accounts will change. There was no allowance for doubtful accounts as of December 31, 2021 and 2020.

Furniture and Fixtures

Furniture and fixtures are recorded at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When furniture and fixtures are retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income. Furnitures and fixtures of \$37,533 as of December 31, 2021 and 2020 were fully depreciated.

Depreciation is provided using the straight-line method, based on useful lives of the assets which are five years.

Income Taxes

The Company, with the consent of its stockholders, has elected under the Internal Revenue Code to be taxed as an S Corporation. The stockholders of an S Corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements. Certain specific deductions and credits flow through the Company to its stockholders.

The Company evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of December 31, 2021 and 2020, the unrecognized tax benefit accrual was zero. The Company's policy is to recognize interest expense and penalties related to income tax matters within its provision for income taxes.

Gift Card Payable to Franchisees

The Company issues gift cards sold by all JL Beers restaurants. The Company collects payments for gift cards and reimburses the franchisees for redeemed gift cards. The Company does not recognize any revenue on gift card transactions and records the liability payable to franchisees upon redemption.

Advertising Costs

Advertising costs are expensed as incurred. Such costs approximated \$43,000 and \$55,000 for the years ended December 31, 2021 and 2020, respectively.

Revenue Recognition

Royalty fees and production fund revenue are considered sales-based royalties that are recognized over time as the franchisee receives the benefits from the services as they are provided. Generally, royalty and production fund revenue are billed and collected monthly in arrears. The Company collected 4% of net sales for royalty fees for the years ended December 31, 2021 and 2020 from all franchisees not under common ownership. The Company collected .5% of net sales for production fund revenue for the years ended December 31, 2021 and 2020 from all franchisees.

Deferred production fund revenue consists of advance payments from franchisees, in the form of cash, for advertising services to be provided by the Company. As advertising services are incurred at the discretion of the Company, the production fund revenue is recognized as revenue. Any amount of the monies collected and not spent or overspent is carried over as a liability or asset to be spent in the next year.

The Company collects an initial franchise fee and incurs initial contract costs when a franchise is sold. Pre-opening services provided to franchisees are considered distinct from the franchise license and are recognized during the initial opening period. The Company also adopted the accounting policy election to recognize pre-opening services as a single performance obligation. All remaining initial franchise fees are recognized as revenue over the period of the franchise agreement, commencing when all material initial services or conditions have been substantially performed. The Company sold no franchises during 2021 and 2020.

Subsequent Events

The Company has evaluated subsequent events through March 4, 2022, the date which the financial statements were available to be issued.

Note 2 - Revenue

The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations for the year ended December 31, 2021 and 2020:

	2021	2020
Revenue Recognized over Time	\$ 223,364	\$ 229,298

Revenue from performance obligations satisfied over time consists of royalty fees, initial franchise fees, and production fund revenue. All revenue is collected from franchisees geographically located in Note 1.

The Company's receivables from franchisees and deferred initial franchise fees as of January 1, 2020 were \$56,704 and, \$24,101, respectively.

Note 3 - Related Party Transactions

The Company is related to various companies through common ownership and management. Transactions with these related companies of JL Beers Franchising, Inc. are summarized as follows:

	2021	2020
Receivables from Franchisees:		
JLB BIS, Inc.	9,765	8,164
JLB South, Inc.	\$ 6,658	\$ 9,102
JLB SF2, Inc.	6,158	5,747
JLB GF, Inc.	4,749	4,434
JLB SF, Inc.	3,583	2,595
JLB WF, Inc.	3,352	5,441
JL Beers, Inc.	1,428	2,184
JLB MHD, Inc.	-	3,748
	\$ 35,693	\$ 41,415

	2021	2020
Due from Affiliates:		
Global Development, LLC	\$ -	\$ 400,000
Production Fund Collections from Franchisees:		
JLB South, Inc.	\$ 8,852	\$ 7,335
JLB BIS, Inc.	7,126	5,950
JLB SF2, Inc.	7,124	5,373
JLB SF, Inc.	6,501	4,488
JLB GF, Inc.	5,967	4,789
JLB WF, Inc.	5,408	4,527
JL Beers, Inc.	4,223	3,166
JLB MHD, Inc.	2,646	3,872
	<u>\$ 47,847</u>	<u>\$ 39,500</u>
Reimbursed Advertising, Administrative, and Personnel Expenses:		
JL Beers of America	<u>\$ 111,678</u>	<u>\$ 109,560</u>
Accounts Payable for Expenses:		
JL Beers of America	<u>\$ 133</u>	<u>\$ 3,076</u>
Accounts Payable to Franchisees:		
JLB South, Inc.	\$ 245	\$ 285
JLB WF, Inc.	170	125
JLB BIS, Inc.	165	265
JLB SF2, Inc.	100	-
JL Beers, Inc.	75	135
JLB GF, Inc.	70	160
JLB SF, Inc.	70	35
JLB MHD, Inc.	-	155
	<u>\$ 895</u>	<u>\$ 1,160</u>

Note 4 - Commitments

Stock Purchase Agreement

The Company and the shareholders have established a Stock Purchase Agreement whereby the Company is obligated to purchase, in the event of the death of any shareholder, all of the decedent's outstanding shares. The repurchase price is determined pursuant to a formula provided in the agreement.

Note 5 - Concentrations

The following table summarizes the Company's franchisee concentrations of royalty fee revenue:

	2021	2020
Franchisee A	34%	29%
Franchisee B	29%	26%
Franchisee C	37%	26%



Financial Statements
December 31, 2020 and 2019
JL Beers Franchising, Inc.

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Independent Auditor's Report

To the Board of Directors
JL Beers Franchising, Inc.
Fargo, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of JL Beers Franchising, Inc. which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JL Beers Franchising, Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 5 to the financial statements, the Company has adopted the provisions FASB Accounting Standards Update 2011-02, *Franchisors – Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient*, as of January 1, 2019 with the cumulative effect recorded to retained earnings. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
March 3, 2021

JL Beers Franchising, Inc.

Balance Sheets

December 31, 2020 and 2019

	2020	2019 (Restated)
Assets		
Current Assets		
Cash	\$ 214,778	\$ 613,970
Receivables from franchisees	48,516	56,704
Due from affiliate	400,000	-
Prepays	8,909	9,423
Total current assets	672,203	680,097
	<u>\$ 672,203</u>	<u>\$ 680,097</u>
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 10,654	\$ 4,575
Gift cards payable to franchisees	309,217	256,632
Deferred initial franchise fees, current portion	2,473	2,473
Deferred production fund revenue	28,002	59,877
Accrued bonuses	-	15,100
Total current liabilities	350,346	338,657
Deferred initial franchise fees, less current portion	19,155	21,628
Total liabilities	369,501	360,285
Stockholders' Equity		
Common stock, no par value, authorized 1,000 voting shares and 99,000 non-voting shares, issued 1,000 voting shares and and 0 non-voting shares	-	-
Additional paid-in-capital	87,533	87,533
Retained earnings	215,169	232,279
Total stockholders' equity	302,702	319,812
	<u>\$ 672,203</u>	<u>\$ 680,097</u>

JL Beers Franchising, Inc.
Statements of Operations
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u> (Restated)
Revenues		
Royalty fee revenue	\$ 138,178	\$ 209,071
Production fund revenue	88,647	64,270
Initial franchise fee revenue	<u>2,473</u>	<u>2,473</u>
Total revenue	<u>229,298</u>	<u>275,814</u>
Operating Expenses		
General and administrative expenses		
Legal fees	3,329	5,512
Professional fees	8,932	9,311
Administration fees	48,000	48,000
Bonus expense	-	15,100
Other expenses	<u>13,832</u>	<u>10,828</u>
Total general and administrative expenses	74,093	88,751
Production fund expenses	<u>88,647</u>	<u>64,270</u>
Total operating expenses	<u>162,740</u>	<u>153,021</u>
Income from Operations	<u>66,558</u>	<u>122,793</u>
Other Income	<u>-</u>	<u>1,104</u>
Net Income	<u><u>\$ 66,558</u></u>	<u><u>\$ 123,897</u></u>

JL Beers Franchising, Inc.
Statements of Stockholders' Equity
For the Years Ended December 31, 2020 and 2019

	Common Stock Shares	Additional Paid in Capital	Retained Earnings	Total Stockholders' Equity
December 31, 2018	1,000	\$ 87,533	\$ 220,392	\$ 307,925
Cumulative effect of accounting change	-	-	(26,574)	(26,574)
Stockholder distributions	-	-	(85,436)	(85,436)
Net income	-	-	123,897	123,897
December 31, 2019	1,000	87,533	232,279	319,812
Stockholder distributions	-	-	(83,668)	(83,668)
Net income	-	-	66,558	66,558
December 31, 2020	<u>\$ 1,000</u>	<u>\$ 87,533</u>	<u>\$ 215,169</u>	<u>\$ 302,702</u>

JL Beers Franchising, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u> (Restated)
Operating Activities		
Net income	\$ 66,558	\$ 123,897
Changes in assets and liabilities		
Receivables from franchisees	8,188	(3,707)
Prepays	514	4,584
Accounts payable	6,079	3,411
Gift card payable	52,585	20,964
Deferred initial franchise fees	(2,473)	(2,473)
Deferred production fund revenue	(31,875)	7,427
Accrued bonuses	<u>(15,100)</u>	<u>(5,404)</u>
Net Cash from Operating Activities	84,476	148,699
Investing Activities		
Receipts from affiliate	-	350,000
Advances to affiliate	<u>(400,000)</u>	<u>-</u>
Net Cash from (used for) Investing Activities	(400,000)	350,000
Financing Activity		
Distributions paid	<u>(83,668)</u>	<u>(85,436)</u>
Net Change in Cash	(399,192)	413,263
Cash at Beginning of Year	<u>613,970</u>	<u>200,707</u>
Cash at End of Year	<u><u>\$ 214,778</u></u>	<u><u>\$ 613,970</u></u>
Supplemental Schedule of Non-Cash Activities		
Adjustments related to ASC Topic 606 adoption	<u><u>\$ -</u></u>	<u><u>\$ 26,574</u></u>

Note 1 - Principal Business Activity and Significant Accounting Policies

Principal Business Activity

JL Beers Franchising, Inc. was formed on January 2, 2013 for the purpose of owning and managing franchise restaurant operations and to engage in other general business purposes. The Company managed 11 franchisees as of December 31, 2020 and 2019, respectively. These franchisees included 8 company owned restaurants through a common ownership related party. The Company awarded no new franchises in 2020 and 2019. The Company did not close any franchises in 2020 and closed one franchise in 2019.

Franchisees	Location
Franchisees under common ownership	
JL Beers, Inc.	Fargo, North Dakota
JLB South, Inc.	Fargo, North Dakota
JLB WF, Inc.	West Fargo, North Dakota
JLB BIS, Inc.	Bismarck, North Dakota
JLB GF, Inc.	Grand Forks, North Dakota
JLB MHD, Inc.	Moorhead, Minnesota
JLB SF, Inc.	Sioux Falls, South Dakota
JLB SF2, Inc.	Sioux Falls, South Dakota
Franchisees not under common ownership	
FABAB BV, Inc.	Burnesville, Minnesota
ZZ Food Group, LLC	Minot, North Dakota
Six Shooters, LLC	Watford City, North Dakota

Concentration of Credit Risk

The Company maintains its cash accounts in various deposit accounts, the balances of which are periodically in excess of federally insured limits.

Estimates

The presentation of the financial statement in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure or contingent assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

Receivables and Credit Policy

Receivables due from franchisees are uncollateralized obligations due under normal terms requiring payment within 30 days. Receivables are stated at the amount billed to the franchisees.

The Company estimates an allowance for doubtful accounts based on evaluation of the current status of receivables, historical experience, and other factors as necessary. It is reasonably possible that the Company's estimate of allowance for doubtful accounts will change. There was no allowance for doubtful accounts as of December 31, 2020 and 2019.

Furniture and Fixtures

Furniture and fixtures are recorded at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When furniture and fixtures are retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income. Furnitures and fixtures of \$37,533 as of December 31, 2020 and 2019 were fully depreciated.

Depreciation is provided using the straight-line method, based on useful lives of the assets which are five years.

Income Taxes

The Company, with the consent of its stockholders, has elected under the Internal Revenue Code to be taxed as an S Corporation. The stockholders of an S Corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements. Certain specific deductions and credits flow through the Company to its stockholders.

The Company evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of December 31, 2020 and 2019, the unrecognized tax benefit accrual was zero. The Company's policy is to recognize interest expense and penalties related to income tax matters within its provision for income taxes.

Gift Card Payable to Franchisees

The Company issues gift cards sold by all JL Beers restaurants. The Company collects payments for gift cards and reimburses the franchisees for redeemed gift cards. The Company does not recognize any revenue on gift card transactions and records the liability payable to franchisees upon redemption.

Advertising Costs

Advertising costs are expensed as incurred. Such costs approximated \$55,000 and \$56,000 for the years ended December 31, 2020 and 2019, respectively.

Revenue Recognition

Royalty fees and production fund revenue are considered sales-based royalties that are recognized over time as the franchisee receives the benefits from the services as they are provided. Generally, royalty and production fund revenue are billed and collected monthly in arrears. The Company collected 4% of net sales for royalty fees for the years ended December 31, 2020 and 2019 from all franchisees not under common ownership. The Company collected .5% of net sales for production fund revenue for the years ended December 31, 2020 and 2019 from all franchisees.

Deferred production fund revenue consists of advance payments from franchisees, in the form of cash, for advertising services to be provided by the Company. As advertising services are incurred at the discretion of the Company, the production fund revenue is recognized as revenue. Any amount of the monies collected and not spent or overspent is carried over as a liability or asset to be spent in the next year.

The Company collects an initial franchise fee and incurs initial contract costs when a franchise is sold. Pre-opening services provided to franchisees are considered distinct from the franchise license and are recognized during the initial opening period. The Company also adopted the accounting policy election to recognize pre-opening services as a single performance obligation. All remaining initial franchise fees are recognized as revenue over the period of the franchise agreement, commencing when all material initial services or conditions have been substantially performed. The Company sold no franchises during 2020 and 2019.

Subsequent Events

The Company has evaluated subsequent events through March 3, 2021, the date which the financial statements were available to be issued.

Note 2 - Revenue

The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations for the year ended December 31, 2020 and 2019:

	2020	2019
Revenue recognized over time	\$ 229,298	\$ 275,814

Revenue from performance obligations satisfied over time consists of royalty fees, initial franchise fees, and production fund revenue. All revenue is collected from franchisees geographically located in Note 1.

The Company's receivables from franchisees and deferred initial franchise fees as of January 1, 2019 were \$52,997 and, \$26,574, respectively.

Note 3 - Related Party Transactions

The Company is related to various companies through common ownership and management. Transactions with these related companies of JL Beers Franchising, Inc. are summarized as follows:

	2020	2019
Receivables from franchisees:		
JLB South, Inc.	\$ 9,102	\$ 8,719
JLB BIS, Inc.	8,164	6,923
JLB SF2, Inc.	5,747	7,413
JLB WF, Inc.	5,441	6,181
JLB GF, Inc.	4,434	6,662
JLB MHD, Inc.	3,748	4,420
JLB SF, Inc.	2,595	2,784
JL Beers, Inc.	2,184	1,617
	<u>\$ 41,415</u>	<u>\$ 44,719</u>

	2020	2019
Due from affiliates:		
Global Development, LLC	\$ 400,000	\$ -
Production fund collections from franchisees:		
JLB South, Inc.	\$ 7,335	\$ 7,778
JLB BIS, Inc.	5,950	6,569
JLB SF2, Inc.	5,373	6,632
JLB GF, Inc.	4,789	5,558
JLB WF, Inc.	4,527	4,644
JLB SF, Inc.	4,488	6,091
JLB MHD, Inc.	3,872	4,507
JL Beers, Inc.	3,166	3,784
	\$ 39,500	\$ 45,563
Reimbursed advertising, administrative, and personnel expenses:		
JL Beers of America	\$ 109,560	\$ 123,100
Accounts payable for expenses:		
JL Beers of America	\$ 3,076	\$ 3,251
Accounts payable to franchisees:		
JLB South, Inc.	\$ 285	\$ -
JLB BIS, Inc.	265	-
JLB GF, Inc.	160	100
JLB MHD, Inc.	155	100
JL Beers, Inc.	135	100
JLB WF, Inc.	125	-
JLB SF, Inc.	35	-
	\$ 1,160	\$ 300

The Company advanced \$400,000 to Global Development, LLC as of December 31, 2020, a related party through common ownership and management. The advance has no stated interest rate, is unsecured, and was fully collected in 2021.

Note 4 - Commitments

Stock Purchase Agreement

The Company and the shareholders have established a Stock Purchase Agreement whereby the Company is obligated to purchase, in the event of the death of any shareholder, all of the decedent's outstanding shares. The repurchase price is determined pursuant to a formula provided in the agreement.

Note 5 - Adoption of Accounting Standards Update 2021-02

As of January 1, 2020, the Company adopted the provisions of FASB Accounting Standards Update 2021-02 (ASU 2021-02), *Franchisors – Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient*, which provides a practical expedient that permits franchisors to account for pre-opening services provided to a franchisee as distinct from the franchise license if the services are consistent within a predefined list within the ASU. It also provides an accounting policy election to recognize the pre-opening services as a single performance obligation. The Company has adopted ASU 2021-02 retrospectively back to the initial adoption of FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* and recorded the cumulative effect of \$26,574 as an adjustment to retained earnings.

The following tables provides the impact of adopting ASU 2021-02 on the Company's financial statements as of December 31, 2019:

Balance Sheet

	As previously reported	Changes due to adoption	As restated
Initial contract costs, current portion	\$ 4,193	\$ (4,193)	\$ -
Total current assets	684,290	(4,193)	680,097
Initial contract costs, less current portion	36,817	(36,817)	-
Total assets	721,107	(41,010)	680,097
Deferred initial franchise fees, current portion	6,667	(4,194)	2,473
Total current liabilities	342,851	(4,194)	338,657
Deferred initial franchise fees, less current portion	58,444	(36,816)	21,628
Total liabilities	401,295	(41,010)	360,285
Total liabilities and stockholders' equity	721,107	(41,010)	680,097

Statement of Operations

	As previously reported	Changes due to adoption	As restated
Initial franchise fee revenue	\$ 25,667	\$ (23,194)	\$ 2,473
Total revenue	299,008	(23,194)	275,814
Initial contract expenses	13,775	(13,775)	-
Total general and administrative expenses	102,526	(13,775)	88,751
Total operating expenses	166,796	(13,775)	153,021
Net income	133,316	(9,419)	123,897

Statement of Stockholders' Equity

	<u>As previously reported</u>	<u>Changes due to adoption</u>	<u>As restated</u>
Cumulative effect of accounting change	\$ -	\$ (26,574)	\$ (26,574)
Net income	133,316	(9,419)	123,897

Statement of Cash Flows

	<u>As previously reported</u>	<u>Changes due to adoption</u>	<u>As restated</u>
Net income	\$ 133,316	\$ (9,419)	\$ 123,897
Initial contract costs	13,775	(13,775)	-
Deferred initial franchise fees	(25,667)	23,194	(2,473)
Adjustments related to ASC Topic 606 adoption	35,993	(9,419)	26,574

EXHIBIT B
FRANCHISE AGREEMENT

**JL BEERS®
FRANCHISE AGREEMENT**

YOU (FRANCHISEE)

DATE OF AGREEMENT

JL Beers Franchising, Inc.
FTC 2022 Franchise Agreement

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EXHIBITS

A – RESTAURANT LOCATION AND PROTECTED TERRITORY

B – RESTAURANT LOCATION GENERAL AREA

C – RESTAURANT LEASE ADDENDUM

D – GUARANTY AND ASSUMPTION OF OBLIGATIONS

JL BEERS® FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“Agreement”) is made and entered into this _____ day of _____, 20_____, between JL Beers Franchising, Inc., a North Dakota corporation, with a principal place of business at 16 Broadway, Suite 208, Fargo, ND 58102 (“we” or “us”), and _____, a corporation formed and operating under the laws of the State of _____ (“you”).

INTRODUCTION

A. We have developed and own a “System” (as defined in Section 1(I) below) relating to the development and operation of restaurants featuring a variety of high quality hamburgers, chicken sandwiches, fresh cut fries and chips, pretzels, fresh-ground peanut butter, dips, craft cocktails, and a large selection of draught, canned and bottled beers for the individual consumer in a fast, casual atmosphere.

B. We own the JL Beers® trademark, and other trademarks and service marks (the “Marks”) used in operating the System.

C. We grant qualified persons the right to develop, own and operate a JL Beers® restaurant at a specific location.

D. You desire to obtain the right to develop and operate a JL Beers® restaurant using the System at a specific location.

AGREEMENTS

In consideration of the mutual covenants and agreements stated below, the parties agree as follows:

1. DEFINITIONS

A. “Confidential Information” means the methods, techniques, formats, marketing and promotional techniques and procedures, specifications, information, recipes, Operations Manual (as defined in Section 7(E)), systems, and knowledge of and experience in the operation and franchising of JL Beers® restaurants that we communicate to you or that you otherwise acquire in operating the Restaurant under the System. Confidential Information does not include information, processes or techniques that are generally known to the public, other than through disclosure (whether deliberate or inadvertent) by you.

B. “Marks” means the JL Beers® trademark and service mark and other trademarks, service marks, domain names, logos, slogans, and commercial symbols that we have designated, or may in the future designate, for use in the System.

C. “Net Sales” means the aggregate amount of all sales of all food and beverages, including beer and other alcoholic beverages, together with clothing items, growlers, glassware and other goods and services, whether for cash, on credit or otherwise, made or provided at or in connection with the Restaurant, including off-premises sales and monies derived at or away from the Restaurant. The term “Net Sales” does not include: (1) any federal, state, municipal or other sales, value added or retailer’s excise taxes paid or accrued by you; and (2) adjustments for net returns on salable goods and discounts allowed to customers on sales; or (3) discounts for meals for Restaurant employees. Net Sales will not be adjusted for uncollected accounts. For purposes of the Royalty Fee described in Section 4(B) below, the sale is made at the earlier of delivery of the product or service, or receipt of payment. The costs or fees associated with any deliveries by you or imposed by any third party delivery providers will not be deducted from “Net Sales”.

D. “Operating Principal” means the designated individual responsible for the day-to-day operation of the Restaurant. We must approve the Operating Principal and the Operating Principal must successfully complete our initial training program and all mandatory follow-up training programs. The Operating Principal must be a Principal Owner.

E. “Principal Owner” means any person or entity who directly or indirectly owns a ten percent (10%) or greater interest in you. If any corporation or other entity other than a partnership is a Principal Owner, a “Principal Owner” also will mean a shareholder or owner of a ten percent (10%) or greater interest in such corporation or other entity. If a partnership is a Principal Owner, a “Principal Owner” also will mean each general partner of such partnership and, if such general partner is an entity, each owner of a ten percent (10%) or greater interest in such general partner.

F. “Products” means hamburgers, chicken sandwiches, fresh cut fries and chips, pretzels, fresh-ground peanut butter, craft cocktails, beer and related food and beverage products, and other accessories such as growlers, glassware and t-shirts, that we may (1) identify on the authorized menu for JL Beers® restaurants, as we periodically may modify, or (2) otherwise approve for sale in the Restaurant.

G. “Protected Territory” means the geographic area, identified in Exhibit A, which is an area surrounding the location of the Restaurant that we determine.

H. “Restaurant” means the JL Beers® restaurant developed and operated under this Agreement which offers the Products.

I. “System” means the JL Beers® system which includes the sale of Products for the individual consumer under the Marks at select restaurant locations, using certain distinctive types of décor, products, equipment (including the POS System (as defined in Section 6(D) below)), supplies, Confidential Information, business techniques, methods and procedures, and sales promotion programs, as we periodically may modify and further improve.

2. GRANT OF FRANCHISE

A. Grant of Franchise, Authorized Location and Protected Territory. Subject to the provisions contained in this Agreement, we grant you a franchise (the “Franchise”) to own and operate a JL Beers® Restaurant at a site we approve (the “Authorized Location”) and to use the Marks and other aspects of the System in operating the Restaurant. The location of the Restaurant and your Protected Territory are identified in Exhibit A, or alternatively, we and you will complete and sign Exhibit B, in which we and you agree on a geographic area in which the location of the Restaurant will be established, subject to our written consent, within six (6) months after the date of this Agreement. You do not receive any territorial rights upon designation of the geographic area in Exhibit B, and we and our affiliates have the right to operate and franchise other JL Beers® Restaurants within the designated area. Once we consent to a location for the Restaurant within the geographic area established in Exhibit B, however, we and you will sign Exhibit A and identify the Protected Territory.

B. Nature of Your Protected Territory. During the term of this Agreement (as described in Section 3), if you are in compliance, we will not directly operate or franchise other persons to operate any other JL Beers® restaurant within the Protected Territory. The license granted to you under this Agreement is personal in nature, may not be used at any location other than at the Restaurant, and does not include the right to sell any Products or services identified by the Marks at any location other than at the Restaurant. This Agreement does not include the right to sell any Products or services identified by the Marks through any other channels of distribution, including the Internet (or any other existing or future form of electronic commerce). You will not open any other JL Beers® restaurant in the Protected Territory unless we permit

you to do so under a separate franchise agreement. You will not have the right to subfranchise or sublicense any of your rights under this Agreement. You will not use the Restaurant for any purposes other than the operation of a JL Beers® restaurant. You also understand and agree that the Protected Territory does not include any airports or other locations described in Exhibit A attached hereto that have a restricted trade area (“Captive Market Locations”) located within the geographic boundaries of the Protected Territory.

C. Rights Reserved to us. We (for us and our affiliates) retain the right:

1. to directly operate, or to grant other persons the right to operate, JL Beers® restaurants at locations outside the Protected Territory;
2. to directly operate, or to grant other persons the right to operate, JL Beers® restaurants at Captive Market Locations within and outside the Protected Territory;
3. to promote, sell and distribute the Products and the services authorized for sale at JL Beers® restaurants under trademarks and service marks other than the Marks through similar or dissimilar channels of distribution;
4. to promote, sell, distribute and license the Products and the services authorized for sale at JL Beers® restaurants as well as ancillary products and services such as food products, beverages, clothing, growlers, glassware and memorabilia under the Marks through dissimilar channels of distribution (*i.e.*, other than the operation of full-service JL Beers® restaurants), including direct mail, wholesale activities, and by electronic means such as the Internet, and pursuant to conditions we deem appropriate within and outside the Protected Territory; and
5. to promote the System and the Restaurants generally, including on the Internet (or any other existing or future form of one or more electronic commerce) and to create, operate, maintain and modify, or discontinue the use of websites using the Marks.

3. TERM OF FRANCHISE; RENEWAL RIGHTS

A. Term. The term of this Agreement will be for fifteen (15) years commencing on the date of this Agreement (the “Effective Date”).

B. Renewal Agreement. You will have the right to enter into a renewal agreement for the Franchise for the Business for two (2) additional terms of five (5) years each, provided you satisfy the following conditions respecting each renewal term:

1. You have given us written notice at least one hundred eighty (180) days but no more than three hundred and sixty (360) days before the end of the term of this Agreement of your intention to enter into a renewal agreement;
2. You have complied with all of the material provisions of this Agreement and all other agreements between you and us or any of our respective affiliates, including the payment of all monetary obligations you owe to us or our affiliates, and have complied with our material operating and quality standards and procedures;
3. You provide documentation satisfactory to us that you have the right to maintain possession of the Restaurant premises during the renewal term described in our then-current Franchise Agreement and have, at your expense, made such reasonable capital expenditures necessary to remodel, modernize and redecorate the Restaurant premises and to replace and modernize the décor,

supplies, fixtures, signs, and equipment used in operating the Restaurant so that the Restaurant reflects the then-current physical appearance of new JL Beers® restaurants, or are able to secure a new location within the Protected Territory to which we have consented (such consent not to be unreasonably withheld) and agree to make all required improvements to the Restaurant premises and install all required fixtures and equipment in compliance with our then-current standards and specifications for new JL Beers® restaurants;

4. Both a Principal Owner we approve and the Operating Principal complete, to our satisfaction, any new training and refresher programs as we may reasonably require. You are responsible for travel, living and compensation costs of attendees;

5. You have paid to us at least thirty (30) days before the term of this Agreement expires a Renewal Fee equal to the lesser of twenty percent (20%) of our then-current initial franchise fee new JL Beers® restaurants or Twelve Thousand Dollars (\$12,000);

6. You sign our then-current standard Franchise Agreement which may differ materially from the provisions of this Agreement; provided that you will be required to pay the Renewal Fee in lieu of the Initial Franchise Fee stated in the then-current Franchise Agreement; and

7. You and each Principal Owner sign a general release, in form acceptable to us, of all claims against us and our affiliates, officers, directors, employees, and agents.

4. FRANCHISE AND OTHER FEES

A. Initial Franchise Fee. You will pay us an “Initial Franchise Fee” of _____ Dollars (\$ _____).

The Initial Franchise Fee is payable when you sign this Agreement. We fully earn the Initial Franchise Fee when we sign this Agreement. We will refund fifty percent (50%) of the Initial Franchise Fee if: (1) you fail to sign a lease for the Authorized Location within one (1) year following the Effective Date; or (2) you fail to obtain a liquor license to sell beer and other alcoholic beverages at your Restaurant within one (1) year following the Effective Date; provided that you used your best efforts to secure a site for the Restaurant and secure a liquor license for the Authorized Location, as we determine, and you sign a mutual termination agreement agreeing to terminate the Franchise Agreement in a form we provide. In all other circumstances, the Initial Franchise Fee is not refundable.

B. Royalty Fee. You will pay us a non-refundable weekly Royalty Fee in an amount equal to the greater of four percent (4%) of your Net Sales or Five Hundred Dollars (\$500); provided that you will not be subject to a minimum Royalty Fee during the first three (3) full calendar months after you commence operations at the Restaurant. The Royalty Fee is due and payable on or before the Thursday of each week for the preceding seven (7) day period ending on Sunday of such week (Monday to Sunday) based on the Net Sales during such seven (7) day period.

C. Production Fee. You will pay us a non-refundable weekly Production Fee in an amount up to two percent (2%) of your Net Sales. We will deposit the Production Fee into the Production Fund described in Section 5(A) below. The Production Fee is due and payable at the same time and in the same manner as the Royalty Fee. We may adjust the amount of the then-current Production Fee following sixty (60) days’ written notice to you.

D. Electronic Transfer of Funds. We will require you to sign electronic transfer of funds authorizations and other documents as we periodically designate to authorize your bank to transfer, either electronically or through some other method of payment we designate, directly to our account and to charge

your account for all Royalty Fees, Production Fees and other amounts you owe us. Your authorization will permit us to designate the amount to be transferred from your account. You must maintain a balance in your accounts sufficient to allow us to collect the amounts owed to us when due. You will be responsible for any penalties, fines or similar expenses associated with the transfer of funds described herein.

E. Interest on Late Payments. All Royalty Fees, Production Fees (as defined below), and other amounts which you owe to us or our affiliates will bear interest after the due date at the lesser of: (1) twelve percent (12%) per year; or (2) the maximum contract rate of interest permitted by law in the state in which the Restaurant is located.

F. Application of Payments. We have discretion to apply amounts due to us or any of our affiliates any payments received from you or any amount we owe you.

G. Withholding Payments Unlawful. You agree that you will not withhold payment of any Royalty Fees, Production Fees or any other amount due us, and that the alleged non-performance or breach of any of our obligations under the Franchise Agreement or any related agreement does not establish a right at law or in equity to withhold payments due us for Royalty Fees, Production Fees or any other amounts due.

H. Tax Indemnification. You will indemnify us and reimburse us for all income, capital, gross receipts, sales, and other taxes that the state in which the Restaurant is located imposes as a result of your operation of the Restaurant or the license of any of our intangible property in the jurisdiction in which the Restaurant is located. If more than one JL Beers® restaurant is located in such jurisdiction, they will share the liability in proportion to their Net Sales from the franchised business, except in the case of sales taxes and gross receipts taxes, which will be divided in proportion to taxable sales to you. If applicable, this payment is in addition to the Royalty Fee payments described above.

5. ADVERTISING

A. Production Fund. During the term of this Agreement, you will pay to us the Production Fee for deposit in a production and marketing fund (the "Production Fund"). We will place all Production Fees we receive in the Production Fund and will manage such Fund. We also will contribute to the Production Fund for each JL Beers® restaurant that we operate in the United States at the same percentage rate as a majority of JL Beers® restaurants must pay to the Production Fund. Reasonable disbursements from the Production Fund will be made solely to pay expenses we incur in connection with the general promotion of the Marks and the System, including the cost of producing production art (including templates for postcards, menus, and beer descriptions); developing and maintaining the JL Beers® website; developing and maintain applications related to the System; promoting the System on social media; conducting market analytics and similar activities; and formulating, developing and implementing advertising, marketing, promotional and public relations campaigns. Disbursements from the Production Fund also may pay for the reasonable costs of administering the Production Fund, including the cost of employing advertising, public relations and other third party agencies to assist us, as well as accounting expenses and the actual costs of salaries and fringe benefits paid to our employees engaged in administration of the Production Fund. The Production Fund is not a trust or escrow account, and we have no fiduciary obligations regarding the Production Fund. We cannot insure that you will benefit directly or on a pro rata basis from the future placement of any such advertising in your local market. We may spend in any fiscal year an amount greater or less than the aggregate contributions of JL Beers® restaurants to the Production Fund in that year. We may, through the Production Fund, furnish you with approved local marketing plans and materials on the same terms and conditions as plans and materials we furnish to other JL Beers® restaurants. We will determine the methods of advertising, media employed and scope, contents, terms and conditions of advertising, marketing, promotional and public

relations campaigns and programs. Upon written request, we will provide you an annual unaudited statement of the receipts and disbursements of the Production Fund for the most recent calendar year.

B. Approved Advertising, Media Plans and Restaurant Promotion Materials. We may develop, and make available to you, local restaurant media planning assistance. If we do so, you must use our recommended media plan in promoting the Restaurant or otherwise develop, and obtain our advance written approval to, an alternative media/promotion plan. In addition, you will use only our approved advertising and promotional materials in promoting the Restaurant. If you desire to use any advertising or promotional materials in promoting the Restaurant which we previously have not approved, you must submit all materials to us for our approval before using any such materials, which approval will not be unreasonably withheld. If we do not approve those advertising or promotional materials within ten (10) days after you submit those materials to us, then the materials submitted will be deemed disapproved and you cannot use those materials in promoting the Restaurant.

C. Participation in Certain Programs and Promotions. You will use your best efforts to promote and advertise your Restaurant. You must, at your expense, participate in, and honor all provisions of any gift card program we establish, as further described in the Operations Manual. You will have the right, but not the obligation, to participate in all other advertising and promotional programs we establish. You may advertise and sell the Products at the Restaurant at whatever prices you determine.

6. DEVELOPMENT AND OPENING OF THE RESTAURANT

A. Lease for Restaurant Premises. If you enter into a lease for the Restaurant premises, you must provide the proposed lease to us and receive our prior written approval of the proposed lease (which will not be unreasonably withheld) before you sign it. In addition, you and the landlord of the Restaurant premises (“Landlord”) must sign a “Lease Addendum” in the form attached hereto as Exhibit C.

B. Your Development of Restaurant. Promptly after you sign a lease or acquire the premises for the Restaurant, and receive from us the prototype plans and specifications for the Restaurant, you will:

1. with the assistance of a licensed architect we designate or approve, prepare and submit to us for approval (which will not be unreasonably withheld) any proposed modifications to our basic plans and specifications, which you may modify only to the extent necessary to comply with applicable ordinances, building codes, permit requirements and lease or deed requirements and restrictions;
2. obtain all required building, utility, sign, health, sanitation and business permits and licenses, and any other required permits and licenses;
3. construct all required improvements to the Restaurant premises, purchase and install all required fixtures and equipment and decorate the premises in compliance with the plans and specifications we approve and in compliance with all applicable ordinances, building codes, permit requirements and lease or deed requirements and restrictions;
4. establish filing, accounting and inventory control systems complying with our requirements; and
5. contract with a qualified, licensed, insured and bonded general contractor we approve to supervise the construction of the Restaurant.

C. Fixtures, Equipment, Furniture and Signs. You will use in constructing and operating the Restaurant only those types of construction and decorating materials, fixtures, equipment (including computer hardware and software), furniture, and signs that we have approved for JL Beers® restaurants as meeting our specifications and standards for appearance, function and performance. You may purchase approved types of construction and decorating materials, fixtures, equipment, furniture and signs from any supplier we approve or designate (which may include us and/or our affiliates). If you propose to purchase any material, fixture, equipment, furniture or sign we have not then approved, or any items from any supplier we have not then approved, you must first notify us in writing and will provide to us (upon our request) sufficient specifications, photographs, drawings and other information or samples for us to determine whether the material, fixture, equipment, furniture or sign complies with our specifications and standards, or the supplier meets our approved supplier criteria, which determination we will make and communicate in writing to you within a reasonable time.

D. Point-of-Sale System. You will use in the Restaurant the point-of-sale and reporting system, including all existing or future communication or data storage systems, components thereof and associated service, which we may develop or select for the System (the “POS System”). The POS System may include one or more proprietary software programs developed for us (the “Proprietary Software”). You must use the Proprietary Software (if available) from us or our designated third party supplier. The Proprietary Software will remain the confidential property of us or our third party supplier. If we require you to use Proprietary Software, you must enter into our or our designee’s standard form software license agreement in connection with your use of the Proprietary Software. We reserve the right to charge you a license fee related to your use of the Proprietary Software. You will pay the then-current fee for the Proprietary Software at or before the Proprietary Software is delivered to you. In addition, we reserve the right to charge you a reasonable monthly fee for computer software support we or our designee provides to you respecting the Proprietary Software. We reserve the right to assign our rights, title and interest in any Proprietary Software to a third party we designate or to replace the Proprietary Software. In such event, you may be required to enter into a separate computer software license agreement specified by the third party supplier of the Proprietary Software. We also may access financial information and customer data produced by or otherwise located on your POS System (collectively the “Customer Data”). During the Term, we and you will have joint ownership of the Customer Data that is stored on the POS System, although you will be responsible for obtaining all customer consents necessary to allow us to use the Customer Data for various purposes as we may identify. We will periodically establish policies respecting the Customer Data. You must comply with all laws and regulations relating to privacy and data protection, and must comply with any privacy policies or data protection and breach response policies we periodically may establish. You must notify us immediately of any suspected data breach at or in connection with the Restaurant. You will have at the Restaurant Internet access with a form of high-speed connection as we require. You will use an e-mail address we designate for communication with us. The computer hardware component of the POS System must comply with specifications we develop. We reserve the right to require the POS System to be configured as a package unit. We have the right to designate a single source from which you must purchase the POS System, any software or hardware components thereof or associated service, and we or our affiliates may be that single source. You will be required to use and, at our discretion, pay for all future updates, supplements and modifications to the POS System. It is your responsibility to protect yourself from disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders and you waive any and all claims you may have against us as the direct or indirect result of such disruptions, failures and attacks. Your POS System will record the full amount of Net Sales.

E. Restaurant Opening. You must comply with any Restaurant opening requirements we periodically describe in the Operations Manual. You will not open the Restaurant for business without our prior written approval. You agree to complete the development and open the Restaurant for business within the time period stated in Exhibit A or Exhibit B, whichever Exhibit is applicable.

F. Restaurant Opening Promotional Package. You will receive from us a Restaurant opening promotional package (“Opening Package”), which includes pre-opening signs, “Friends and Family” opening materials, web-based materials and applications, social media and text marketing items, direct mail pieces and a Facebook ad campaign. The cost of the Opening Package is included in the Initial Franchise Fee you pay to us.

G. Relocation of Restaurant. You will not relocate the Restaurant from the Authorized Location without our prior written consent. If you relocate the Restaurant under this Section, the “new” franchised location of the Restaurant to which we consent (the “new” Authorized Location), including the real estate and building, must comply with all applicable provisions of this Agreement and with our then-current specifications and standards for JL Beers® restaurants. We will not unreasonably withhold our consent to the proposed relocation, provided we have received at least ninety (90) days’ written notice prior to the closing of the Restaurant at the existing Authorized Location, you have obtained a site to which we have consented, and you agree to open the new Authorized Location for the Restaurant within five (5) days after you close the Restaurant at the prior Authorized Location and comply with any other conditions that we may require. If you must relocate the Restaurant because the Restaurant was destroyed, condemned or otherwise became untenable by fire, flood or other casualty, you must reopen the Restaurant at the new Authorized Location in the Protected Territory within twelve (12) months after you discontinue operation at the existing Authorized Location. In addition, we will require you to pay us a fee of Five Thousand Dollars (\$5,000) for services we will provide in connection with any relocation of the Restaurant before we will review a proposed new Authorized Location. There is no guarantee that an acceptable location will be available for relocation, and if you are unable to relocate your Restaurant within the Protected Territory and reopen your Restaurant within the time periods described in this Section 6(H), this Agreement will terminate.

H. Minimum Restaurant Capital Requirements. We reserve the right, as periodically described in the Operations Manual, to require you to directly invest (i.e., assets belonging to you or the Principal Owner(s) of a corporate entity) a minimum amount of capital in operating the Restaurant.

7. TRAINING AND OPERATING ASSISTANCE

A. Development of Restaurant. We will provide you with prototype drawings and specifications for a Restaurant, reflecting our requirements for dimensions, interior design and layout, image, building materials, fixtures, equipment, furniture, signs and decor. We will provide you with reasonable consulting services in connection with the selection and evaluation of the proposed Restaurant site and development of the Restaurant. You acknowledge that our assistance in site location and consent to the premises does not represent a representation or guaranty by us that the location will be a successful location for your Restaurant.

B. Training. Before the opening of the Restaurant, we will provide to the Operating Principal, general manager, bar supervisor and kitchen supervisor an initial training program on the operation of a Restaurant, provided at a place and time we designate. Each of these individuals must attend and successfully complete the entire initial training program. The Operating Principal and general manager may be the same person.

The initial training program for the Operating Principal and general manager will take place over a period of up to nineteen (19) days. The initial training program for the bar supervisor and kitchen supervisor will take place over a period of fourteen (14) days. The initial training program includes instruction and on-site training relating to Restaurant operations, understanding the equipment usage and maintenance, customer service, marketing and sales programs, accountability for sales and marketing, employee scheduling and methods of controlling operating costs. If, during the initial training program, we determine

that the Operating Principal, general manager, kitchen supervisor or bar supervisor is not qualified to manage the Restaurant, we will notify you and you must select and enroll a substitute Operating Principal or general manager in the initial training program.

In addition, all new Operating Principals, general managers, bar supervisors and kitchen supervisors must complete our designated initial training program. We may charge you a reasonable fee for those new individuals who attend the initial training program.

We may require that the Operating Principal, any general manager, any bar supervisor, or any kitchen supervisor attend all supplemental and refresher training programs that we designate for up to seven (7) days each calendar year. We will charge you a reasonable fee for these supplemental and refresher training programs.

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

C. Opening Assistance. We will provide you with the services of one of our representatives for up to three (3) days before you open to evaluate whether the Restaurant is ready to open. We also will provide you with up to two (2) weeks of opening support to assist you in the opening and initial operations of the Restaurant, including kitchen and bartender training. After you begin operating your Restaurant, we will provide additional onsite support of up to three (3) days within the first month of operation to analyze the Restaurant operations. We may determine the time at which our employee is available to you.

D. Operating Assistance. We will advise you on operational issues and provide assistance in operating the Restaurant as we deem appropriate. Operating assistance may include advice regarding the following:

1. additional Products and services authorized for sale at JL Beers® restaurants;
2. selecting, purchasing and marketing Products, and other approved materials and supplies;
3. marketing assistance and sales promotion programs;
4. establishing and operating administrative, bookkeeping, accounting, inventory control, sales and general operating procedures for the proper operation of a JL Beers® restaurant.

We will provide such guidance, in our discretion, through our Operations Manual, bulletins or other written materials, telephone conversations and/or meetings at our office or at the Restaurant in conjunction with an inspection of the Restaurant. We will provide additional assistance for a fee.

E. Operations Manual. We will provide on loan to you, during the term of this Agreement, a hard copy of or electronic (Internet) access to an Operations Manual, which may include other handbooks, manuals and written materials (collectively, the "Operations Manual") for JL Beers® restaurants. The Operations Manual will contain mandatory and suggested specifications, standards and operating procedures that we develop for JL Beers® restaurants and information relating to your other obligations. Any required specifications, standards and operating procedures exist to protect our interests in the System and the Marks and to create a uniform customer experience, and not for the purpose of establishing any

control or duty to take control over those matters that are reserved to you. We may add to, and otherwise modify, the Operations Manual to reflect changes in authorized Products and services, and specifications, standards and operating procedures of a JL Beers® restaurant. The master copy of the Operations Manual that we maintain at our principal office or on our website, and make available to you by hard copy or electronic access, will control if there is a dispute involving the contents of the Operations Manual.

8. MARKS

A. Ownership and Goodwill of Marks. You acknowledge that you have no interest in or to the Marks and that your right to use the Marks is derived solely from this Agreement and is limited to the conduct of business in compliance with this Agreement and all applicable specifications, standards and operating procedures that we require during the term of the Franchise. You agree that the use of the Marks and any goodwill established exclusively benefits us, and that you receive no interest in any goodwill related to your use of the Marks or the System. You must not, at any time during the term of this Agreement or after your termination or expiration, contest or assist any other person in contesting the validity or ownership of any of the Marks.

B. Limitations on Your Use of Marks. You agree to use the Marks as the sole identification of the Restaurant, but you must identify yourself as the independent owner in the manner we direct. You must not use any Mark as part of any corporate or trade name or in any modified form, nor may you use any Mark in selling any unauthorized product or service or in any other manner we do not expressly authorize in writing. You agree to display the Marks prominently and in the manner we direct on all signs and forms. Subject to our rights described in this Agreement, you agree to obtain fictitious or assumed name registrations as may be required under applicable law.

C. Restrictions on Internet and Website Use. We retain the sole right to advertise the System on the Internet and to create, operate, maintain and modify, or discontinue the use of, a website using the Marks. You have the right to access and participate in our website as further described in Section 9(M) below. Except as we may authorize in writing, however, you will not: (1) link or frame our website; (2) conduct any business or offer to sell or advertise any Products or similar products or services on the Internet (or any other existing or future form of electronic communication) including e-mail marketing or other digital marketing; (3) create or register any Internet domain name in any connection with the Restaurant; and (4) use any e-mail address which we have not authorized for use in operating the Restaurant. You will not register, as Internet domain names, any of the Marks that we now or hereafter may own or any abbreviation, acronym or variation of the Marks, or any other name that could be deemed confusingly similar.

D. Notification of Infringements and Claims. You must notify us immediately in writing of any apparent infringement of or challenge to your use of any Mark, or any claim by any person of any rights in any Mark or any similar trade name, trademark or service mark of which you become aware. You must not communicate with any person other than us and our counsel regarding any infringement, challenge or claim. We may take any action we deem appropriate and have the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge or claim relating to any Mark. You will sign all documents, provide assistance and take all action as we may reasonably request to protect and maintain our interests in any litigation or other proceeding or to otherwise protect and maintain our interests in the Marks.

E. Litigation. You will have no obligation to and will not, without our prior written consent, defend or enforce any of the Marks in any court or other proceedings for or against imitation, infringement, any claim of prior use, or for any other allegation. You will, however, immediately notify us of any claims or complaints made against you respecting the Marks and will, at your expense, cooperate in all respects with

us in any court or other proceedings involving the Marks. Subject to our right of indemnification (as described in Section 18(B) below), we will pay the cost and expense of all litigation we incur, including attorneys' fees, specifically relating to the Marks. We and our legal counsel will have the right to control and conduct any litigation relating to the Marks.

F. Changes. You cannot make any changes or substitutions to the Marks unless we so direct in writing. We reserve the right, in our discretion, to modify or discontinue use of any Mark, or to use one or more additional or substitute trademarks or service marks. In such event, you will, at your expense, comply with such modification or substitution within a reasonable time after notice by us.

9. RESTAURANT IMAGE AND OPERATING STANDARDS

A. Condition and Appearance of Restaurant/Remodeling of Restaurant. You agree to maintain the condition and appearance of the Restaurant (including adjacent parking areas and grounds), and refurbish and modify its layout, decor and general theme, as we may require to maintain the condition, appearance, efficient operation, ambience and overall image of JL Beers® restaurants, as we may modify. You will replace worn out or obsolete fixtures, equipment, furniture, or signs, repair the interior and exterior of the Restaurant, adjacent parking areas and grounds, and periodically clean and redecorate the Restaurant. If at any time in our reasonable judgment, the general state of repair, appearance or cleanliness of the Restaurant premises (including parking areas and grounds) or its fixtures, equipment, furniture or signs do not meet our then-current standards, we will so notify you, specifying the action you must take to correct the deficiency. If you fail, within ten (10) days after receipt of notice, to commence action and continue in good faith and with due diligence, to undertake and complete any required maintenance or refurbishing, we may (in addition to our rights under Section 15 below) enter the Restaurant premises and correct the deficiencies on your behalf, and at your expense.

You will, at your expense, make such reasonable capital expenditures necessary to remodel, modernize and redecorate the Restaurant premises and to replace and modernize the supplies, fixtures, signs, and equipment used in your Restaurant so that your Restaurant reflects the then-current physical appearance of new JL Beers® restaurants. We may require you to take such action: (1) five (5) years after the date of this Agreement; (2) as a condition to the transfer of any interest as further described in Section 14(B); (3) as a condition of renewal; and (4) otherwise during the term of the Agreement as further described in the Operations Manual. You acknowledge and agree that the requirements of this Section 9(A) are both reasonable and necessary to insure continued public acceptance and patronage of JL Beers® restaurants and to avoid deterioration or obsolescence in connection with the operation of the Restaurant.

If the Restaurant is damaged or destroyed by fire or any other casualty, you will, within thirty (30) days, initiate repairs or reconstruction, and thereafter in good faith and with due diligence continue (until completion) repairs or reconstruction, to restore the Restaurant premises to its original condition before the casualty. If, in our reasonable judgment, the damage or destruction is of a nature or to an extent that you can repair or reconstruct the premises of the Restaurant consistent with the then-current decor and specifications of a new JL Beers® restaurant without incurring substantial additional costs, we may require, by giving written notice, that you repair or reconstruct the Restaurant premises in compliance with the then-current decor and specifications.

B. Restaurant Alterations. You cannot alter the premises or appearance of the Restaurant, or make any unapproved replacements of or alterations to the fixtures, equipment, furniture or signs of the Restaurant without our prior written approval. We may, in our discretion and at your sole expense, correct any alterations to the Restaurant that we have not previously approved.

C. Restriction on Use of Premises. You agree that you will not, without our prior written approval, offer at the Restaurant any products or services we have not then authorized for use or sale for JL Beers® restaurants, nor will the Restaurant or the premises which it occupies be used for any purpose other than the operation of a JL Beers® restaurant in compliance with this Agreement.

D. Your Hiring and Training of Employees. You will hire all employees of the Restaurant, and be exclusively responsible for the terms of their employment, scheduling, benefits, disciplining, compensation, and all other personnel decisions, without any influence or advice from us, and such decisions and actions will not be, nor be deemed to be, our decisions or actions. None of your employees will be deemed to be an employee of ours for any purpose, and you will notify each of your employees of this fact. You will implement a training program for Restaurant employees in compliance with our requirements. You will maintain at all times a staff of trained employees sufficient to operate the Restaurant in compliance with our standards. You must insure that all Restaurant employees comply with all required licenses and certifications respecting the Restaurant. At all times, the Restaurant must be under the direct, on-site supervision of the Operating Principal or a certified manager.

E. Authorized Ingredients, Supplies and Equipment. You agree to offer and sell at the Restaurant all and only the Products and services, including JL Beers® gift cards, which we have approved as being suitable for sale and meeting the standards of quality and uniformity for the System. In addition, you agree to use in the operation of the Business only such beverages, ingredients, recipes, formulas, supplies and equipment which we have approved as being suitable for use and meeting the standards of quality and uniformity for the System and are purchased from suppliers we have approved (which may include us and/or our affiliates). We periodically may modify the lists of approved Products, services, brands and suppliers. If you propose to offer for sale or use in operating the Restaurant any products, ingredients, supplies and equipment which we have not approved, you must first notify us in writing and provide sufficient information, specifications and samples concerning the brand and/or supplier to permit us to determine whether the brand complies with our specifications and standards and/or the supplier meets our approved supplier criteria. We will notify you within a reasonable time whether the proposed brand and/or supplier is approved. We may develop procedures for the submission of a request for approved brands or suppliers and obligations that approved suppliers must assume (which may be incorporated in a written agreement to be signed by the approved supplier). We may impose limits on the number of suppliers and/or brands for any products, ingredients, supplies or equipment sold or used in the Restaurant or otherwise related to the Franchise, and we may require that you use only one supplier for any Products, ingredients, supplies or equipment. You agree that certain Products, materials, and other items and supplies may only be available from one source, and we or our affiliates may be that source. WE AND OUR AFFILIATES MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, RESPECTING PRODUCTS, EQUIPMENT (INCLUDING ANY REQUIRED POINT-OF-SALE SYSTEMS), SUPPLIES, FIXTURES, FURNISHINGS OR OTHER ITEMS THAT ARE MANUFACTURED OR DISTRIBUTED BY THIRD PARTIES AND THAT WE APPROVE FOR USE IN THE SYSTEM.

F. Health and Sanitation. You must comply with all applicable governmental health and sanitary standards in operating and maintaining your Restaurant. You also must comply with any higher standards that we prescribe. In addition to complying with such standards, if the Restaurant will be subject to any governmental sanitary or health inspection under which it may be rated in one or more than one classification, the Restaurant will be maintained and operated so as to be rated in the highest available health and sanitary classification respecting each such inspection. If 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 will immediately notify us of such failure or noncompliance.

G. Restaurant Operation. We will approve the hours of operation for the Restaurant and you may not modify those hours of operation without our prior written consent. All Restaurant customers must be twenty-one (21) years of age or older and you cannot allow anyone under that age into your Restaurant.

H. Standards of Service. You must at all times give prompt, courteous and efficient service to your customers. You must, in all dealings with your customers and suppliers and the public, adhere to the highest standards of honesty, integrity and fair dealing.

I. Specifications, Standards and Procedures. You acknowledge that each and every detail of the appearance and operation of the Restaurant is important to us and other JL Beers® restaurants. You agree to maintain the highest standards of quality and service in the Restaurant and agree to comply with all mandatory specifications, standards and operating procedures (whether contained in the Operations Manual or any other written or oral communication to you) relating to the appearance or operation of a JL Beers® restaurant, including:

1. type and quality of Products and Product procurement;
2. methods and procedures relating to marketing and customer service;
3. the safety, maintenance, cleanliness, function and appearance of the Restaurant premises and its fixtures, equipment, furniture, décor and signs;
4. qualifications, dress, general appearance and demeanor of Restaurant employees. Each of your employees will wear only those uniforms which we have approved in writing;
5. the style, make and/or type of equipment (including computer equipment) used in operating the Restaurant;
6. use and illumination of exterior and interior signs, posters, displays, standard formats and similar items;
7. delivery services (if any) provided to a customer by you or a third party delivery service; and
8. Restaurant advertising and promotion.

J. Compliance with Laws and Good Business Practices. You must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Restaurant, including a liquor license, and must operate the Restaurant in full compliance with all applicable laws, ordinances and regulations, including all liquor laws such as dram shop laws, and labor and employment laws. You must notify us in writing within five (5) days of the commencement of any action, suit, proceeding or investigation, and of the issuance of any order, injunction, or award of decree, by any court, agency, or other governmental instrumentality that may adversely affect the operation or financial condition of you or the Restaurant. You will not conduct any business or advertising practice which injures our business, the System or the goodwill associated with the Marks and other JL Beers® restaurants.

K. Management of the Restaurant/Conflicting Interests. The Restaurant must at all times be under the Operating Principal's direct supervision. You must at all times faithfully, honestly and diligently perform your obligations and continuously use your best efforts to promote and enhance the business of the Restaurant. The Restaurant manager must assume responsibilities on a full-time basis and must not engage

in any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitments, or otherwise may conflict with your obligations.

If at any time the Restaurant manager is not managing the Restaurant, we immediately may appoint a manager to maintain Restaurant operations on your behalf. Our appointment of a manager of the Restaurant does not relieve you of your obligations or constitute a waiver of our right to terminate the Franchise under Section 15 below. We are not liable for any debts, losses, costs or expenses you incur in operating the Restaurant or to any of your creditors for any Products, materials, supplies or services purchased by the Restaurant while it is managed by our appointed manager. We may charge a reasonable fee for management services and cease to provide management services at any time.

L. Insurance. You agree to purchase and maintain in force, at your expense, insurance at a minimum in the types of coverage and amounts we specify in the Operations Manual or otherwise in writing. All insurance policies will: (1) be issued by an insurance carrier(s) acceptable to us and that have an A.M. Best rating of A or higher; (2) will name us and our affiliates, and their respective officers, directors and employees, as an additional insured; (3) contain a waiver of the insurance company's right of subrogation against us; (4) contain the above-mentioned insurance coverage for each JL Beers® restaurant that you operate; and (5) provide that we will receive thirty (30) days' prior written notice of a material change in or termination, expiration or cancellation of any policy (or such shorter period as the insurance carrier may require and approved by us). We periodically may, with prior written notice to you, increase the minimum liability protection requirements, and require different or additional kinds of insurance to reflect inflation or changes in standards of liability. If at any time you fail to maintain in effect any insurance coverage we require, or to furnish satisfactory evidence thereof, we, at our option, may obtain insurance coverage for you. You agree to promptly sign any applications or other forms or instruments required to obtain any insurance and pay to us, on demand, any costs and premiums we incur, together with an administrative fee equal to five percent (5%) of the insurance premium. You will provide us with copies of the certificate of insurance, insurance policy endorsements and other evidence of compliance with these requirements as we periodically require at least two (2) weeks before you take possession and commences development of the Restaurant premises and at such other times as we may require. In addition, you will provide to us a copy of the evidence of the renewal or extension of each insurance policy in a form we require. Your obligation to obtain and maintain these insurance policies in the amounts specified will not be limited in any way by reason of any insurance that we may maintain, nor does your procurement of required insurance relieve you of liability under the indemnity obligations described in Section 18. Your insurance procurement obligations under this Section are separate and independent of your indemnity obligations. We do not represent or warrant that any insurance that you are required to purchase will provide you with adequate coverage. The insurance requirements specified in this Agreement are for our protection. You should consult with your own insurance agents, attorneys and other insurance advisors to determine the level of insurance protection you need and desire, in addition to the coverage and limits we require.

M. Participation in Internet Website. You will, at your expense, participate in and maintain a separate page on our JL Beers® website on the Internet or other online communications and participate in any intranet system we designate. We will, at our discretion, determine the content and use of a JL Beers® website and intranet system and will establish rules under which you may or will participate. We will provide a template for the separate page you must maintain on our website, although you will be solely responsible for maintaining and updating the content on your separate page of our website. We will retain all rights relating to the JL Beers® website and intranet system and may alter or terminate the website or intranet system upon thirty (30) days' notice to you. Your general conduct on the Internet (or other online communications) and the JL Beers® intranet system, and specifically your use of the Marks or any advertising on the Internet (including use of the domain name and any other Marks we may develop as a result of participation in the Internet), will be subject to the provisions of this Agreement. You acknowledge

that certain information obtained through your online participation in the website or intranet system is considered Confidential Information (as defined in Section 12 below), including access codes and identification codes. Your right to participate in the JL Beers® website or intranet system or otherwise use the Marks or the System on the Internet will terminate when this Agreement expires or terminates.

10. RECORDS AND REPORTS

A. Accounting and Records. During the term of this Agreement, you will, at your expense, maintain at the Restaurant premises and retain for a minimum of five (5) years from the date of their preparation, complete and accurate books, records and accounts (using such methods and systems of bookkeeping and accounting as we may require) relating to the Restaurant (the “Records”), in the form and manner we direct in the Operations Manual or otherwise in writing. The Records will include the following: (1) daily cash reports; (2) cash receipts journal and general ledger; (3) cash disbursements journal and weekly payroll register; (4) monthly bank statements and daily deposit slips; (5) all tax returns relating to the Restaurant and each of its Principal Owners; (6) suppliers’ invoices (paid and unpaid); (7) dated POS reports (detailed and summary); (8) monthly balance sheets and profit and loss statements; (9) weekly inventories; (10) records of promotion and coupon redemption; and (11) such other records and information as we periodically may request. You will be permitted to preserve the Records and submit reports electronically, consistent with our requirements.

B. Reports and Tax Returns. You will deliver or allow us access to the following: (1) daily statements relating to Net Sales accompanying your payment of weekly Royalty Fees; (2) at our request, monthly income statements in a format we require; (3) at our request, a quarterly profit and loss statement for the Restaurant for the immediately preceding calendar quarter and a year-to-date profit and loss statement; (4) at our request, an annual profit and loss statement and source and use of funds statement for the Restaurant for the year and a balance sheet for the Restaurant as of the end of the year, reviewed by an independent certified public accountant; and (5) at our request, all tax returns relating to the Restaurant and each of its Principal Owners. You also will provide to us copies of all Records and other information and supporting documents as we designate. All financial statements, reports and information must be on forms we approve and that you have signed and verified.

11. INSPECTION AND AUDITS

A. Our Right to Inspect the Restaurant. To determine whether you are complying with this Agreement, we may, at any time during business hours and without prior notice to you, inspect the Restaurant and test, sample, inspect and evaluate your supplies, ingredients and Products as well as the storage and preparation of those items. You will fully cooperate with our representatives making any inspection and will permit our representatives to take photographs or videotapes of the Restaurant and to interview employees and customers of the Restaurant. If we establish a mystery shopper program, we may require you to pay for the reasonable expense of mystery shopper visits at your Restaurant.

B. Our Right to Examine Books and Records. We may, at all reasonable times and without prior notice to you, examine, audit, or request copies of the Records. You must maintain all Records and supporting documents at all times at the Restaurant premises. You will make financial and other information available at a location we reasonably request, and will allow us (and our agents) full and free access to any such information at the Restaurant. You otherwise will fully cooperate with our representative and independent accountants hired to conduct any examination or audit.

C. Result of Audit; Unreported Net Sales. If any examination or audit discloses an understatement of Net Sales, you will pay to us, within fifteen (15) days after receipt of the examination or audit report, the Royalty Fees and any Production Fees due on the amount of the understatement, plus

interest (at the rate provided in Section 4(E) above) from the date originally due until the date of payment. You must reimburse us for the cost of the audit or examination, including the charges of any independent accountants and the travel expenses, room and board and compensation of our employees, if: (1) an examination or audit is necessary because you failed to timely provide required information; or (2) any examination or audit results in a determination that Net Sales for any month are understated by greater than three percent (3%). The foregoing remedies are in addition to all of our other remedies and rights under applicable law.

12. CONFIDENTIAL INFORMATION/IMPROVEMENTS

A. Confidential Information. You acknowledge and agree that you do not acquire any interest in the Confidential Information, other than the right to use it in developing and operating the Restaurant pursuant to this Agreement, and that the use or duplication of the Confidential Information in any other business constitutes an unfair method of competition. You acknowledge and agree that the Confidential Information is proprietary and is our trade secret and is disclosed to you solely on the condition that you: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (3) will not make unauthorized copies of any Confidential Information disclosed in written form; (4) will adopt and implement all reasonable procedures we direct to prevent unauthorized use or disclosure of the Confidential Information, including restrictions on disclosure to Restaurant employees; and (5) will sign a Confidentiality Agreement and will require the Operating Principal and other managers, employees and agents with access to Confidential Information to sign such an agreement in a form we approve.

The restrictions on your disclosure and use of the Confidential Information will not apply to disclosure of Confidential Information in judicial or administrative proceedings to the extent you are legally compelled to disclose this information, if you use your best efforts to maintain the confidential treatment of the Confidential Information, and provide us the opportunity to obtain an appropriate protective order or other assurance satisfactory to us of confidential treatment for the information required to be so disclosed.

B. Improvements. You must fully and promptly disclose to us all ideas, concepts, products, recipes, process methods, techniques, improvements, additions and Customer Data relating to the development and/or operation of a JL Beers® restaurant or the System, or any new trade names, service marks or other commercial symbols, or associated logos relating to the operation of the Restaurant, or any advertising or promotion ideas related to the Restaurant (collectively, the “Improvements”) that you, the Principal Owners or your employees or agents conceive or develop during the term of this Agreement. You and your Principal Owners, agents and employees acknowledge and agree that any Improvement is our property, and you and your Principal Owners, agents or employees must sign all documents necessary to evidence the assignment of the Improvement to us without any additional compensation. We may use the Improvement and disclose and/or license the Improvement for use by others. You must not introduce any Improvement or any additions or modifications of or to the System into the Restaurant without our prior written consent.

13. COVENANTS

A. Organization. You and each Principal Owner covenants that:

1. You are organized and validly exist under the laws of the state where you were formed;
2. You are qualified and authorized to do business in the jurisdiction where the Protected Territory and Restaurant is located;

3. Your articles of incorporation, bylaws, operating agreement, member control agreement or other organizational documents (“Authorizing Documents”) at all times will provide that your business activities will be limited exclusively to the ownership and operation of the Restaurant, unless you otherwise obtain our written consent;

4. You have the power under the Authorizing Documents to sign this Agreement and comply with the provisions of this Agreement;

5. You must provide us copies of all Authorizing Documents and any other documents, agreements or resolutions we request in writing;

6. The names of all Principal Owners are accurately stated on the Guaranty attached hereto as Exhibit D; and

7. You will maintain a current schedule of the Principal Owners and their ownership interests (including the Principal Owners’ names, address and telephone numbers) at all times and will immediately provide us with an updated ownership schedule if there is any change in ownership.

B. Non-Solicitation of Customers. You covenant that, during the term of this Agreement, and for a period of two (2) years thereafter, you will not, directly or indirectly, divert or attempt to divert any business, account or customer of the Restaurant or any other JL Beers® restaurants or the System to any Competing Business (as defined below).

C. Covenant Not to Compete During Term. You (and the Operating Principal and each other Principal Owner) will not, during the term of this Agreement, directly or as an employee, agent, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership or directly competing business: (i) divert or attempt to divert any business or customers of the Restaurant to any Competing Business or perform any act that would damage the goodwill associated with the Marks or the System; or (ii) own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in, or assist any person or entity engaged in any Competing Business (including any e-commerce or Internet-based business), except: (1) with our prior written consent; (2) the ownership of securities listed on a stock exchange or traded on the over-the-counter market that represent one percent (1%) or less of that class of securities; or (3) under a separate agreement between you and us.

D. Post-Term Covenant Not to Compete. You (and the Operating Principal and each other Principal Owner) will not, for a period of two (2) years after this Agreement expires or is terminated or the date on which you cease to operate the Restaurant, whichever is later, directly or as an employee, agent, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership or corporation: (1) divert or attempt to divert any business or customers of the Restaurant to any Competing Business or perform any act that would damage the goodwill associated with the Marks or the System; (2) own, operate, lease, franchise, conduct, engage in, be connected with, having any interest in, or assist any person or entity engaged in any restaurant business which is located at the Restaurant site and offers hamburgers as a menu time; or (3) own, operate, lease, franchise, conduct, engage in, be connected with, having any interest in, or assist any person or entity engaged in any Competing Business that is located within a ten (10) mile radius of the former site of the Restaurant or any other then-existing JL Beers® restaurant; provided, however, that this Section 13(D) will not apply to: (i) other JL Beers® restaurants that you operate under separate JL Beers® franchise agreements; or (ii) the ownership of securities listed on a stock exchange or traded on the over-the-counter market that represent one percent (1%) or less of that class of securities.

E. Competing Business. “Competing Business” means any business that offers and sells hamburgers and beers and that generates more than twenty-five percent (25%) of its total revenue from the sale of hamburgers, chicken sandwiches, beers and other alcoholic beverages, fries and chips.

F. Injunctive Relief. You agree that damages alone cannot adequately compensate us if there is a violation of any covenant in this Section in that injunctive relief is essential for our protection. You therefore agree that we may seek injunctive relief without posting any bond or security, in addition to the remedies that may be available to us at equity or law, if you or anyone acting on your behalf violates any covenant in this Section. The covenants stated in this Section will survive the termination or expiration of this Agreement.

14. ASSIGNMENT

A. By Us. This Agreement is fully assignable by us and benefits our successors and assigns. Any such assignment will require the assignee to fulfill our obligations under this Agreement. You acknowledge and agree that, following the effective date of any such assignment, you will look solely to the transferee or assignee, and not to us, for the performance of all obligations under this Agreement. Separately, we may assign or delegate to an affiliate or other third party certain of our obligations under this Agreement without assigning our interest in this Agreement. In such instance, we will remain the party ultimately responsible for the performance of such obligation(s).

B. Your Assignment or Sale of Substantially all of Your Assets. You understand that we have granted the Franchise under this Agreement in reliance upon the individual or collective character, aptitude, attitude, business ability and financial capacity of your Principal Owners. You (and your Principal Owners) will not transfer (whether voluntary or involuntary), assign or otherwise dispose of, in one or more transactions, your business, the Restaurant, substantially all or all of the assets of the Restaurant, this Agreement or any controlling interest in you (“controlling interest” to include a proposed transfer of fifty percent (50%) or more of the common (voting) stock in a corporation or of the ownership interest in a limited liability company or partnership) unless you obtain our prior written consent. We will not unreasonably withhold our consent to an assignment of this Agreement, provided you comply with any or all of the following conditions which we may, in our discretion, deem necessary:

1. All of your accrued monetary obligations to us and our affiliates have been satisfied, and you otherwise are in good standing under this Agreement and any other agreement between you and us;

2. The transferee (or the managing Principal Owners, if applicable) is approved by us and demonstrates to our satisfaction that he/she meets our managerial, financial and business standards for new JL Beers® restaurants, possesses a good business reputation and credit rating, and has the aptitude and ability to conduct the franchised business. You understand that we may communicate directly with the transferee during the transfer process to respond to inquiries, as well as to insure that the transferee meets our qualifications;

3. The transferee enters into a written agreement, in form satisfactory to us, assuming and agreeing to discharge all of your obligations and covenants under this Agreement for the remainder of your term or, at our option, signs our then-current standard form of franchise agreement (which will provide for the same Royalty Fees and Production Fees required for a term equal to the remaining term of this Agreement, although such agreement may provide other rights and obligations from those provided in this Agreement);

4. The transferee, the new Operating Principal, the new general manager (if applicable), the bar supervisor and the kitchen supervisor successfully complete the initial training program required of new JL Beers® restaurants;

5. If required, the lessor of the Restaurant premises consents to your assignment or sublease of the premises to the transferee;

6. You pay us a transfer fee equal to fifty percent (50%) of our then-current standard initial franchise fee applicable to new JL Beers® restaurants;

7. You (and each Principal Owner, if applicable) sign a general release, in a form and substance satisfactory to us, of any and all claims against us and our affiliates, officers, directors, employees and agents, except to the extent limited or prohibited by applicable law;

8. We approve the material provisions of the assignment or sale of assets which assignment or sale cannot permit you to retain a security interest in this Agreement or any other intangible asset; and

9. You (and each Principal Owners, if applicable) sign an agreement, in form satisfactory to us, in which you and each Principal Owner covenant to observe the post-termination covenant not to compete and all other applicable post-termination obligations.

We may expand upon, and provide more details related to, the conditions for transfer and our consent as described in this Section 14(B), and may do so in the Operations Manual or otherwise in writing.

C. Death or Disability. If the Operating Principal dies or is permanently disabled, the remaining Principal Owners must appoint (if necessary) a competent Operating Principal acceptable to us within a reasonable time, not to exceed thirty (30) days, from the date of death or permanent disability. The appointed Operating Principal must satisfactorily complete our designated training program. If an approved Operating Principal is not appointed within thirty (30) days after the Operating Principal's death or permanent disability, we may, but are not required to, immediately appoint an Operating Principal to maintain Restaurant operations on your behalf until an approved assignee can assume the management and operation of the Restaurant. Our appointment of an Operating Principal does not relieve you of your obligations, and we will not be liable for any debts, losses, costs or expenses you incur in operating the Restaurant or to any creditor of yours for any Products, materials, supplies or services purchased by the Restaurant while it is managed by our appointed manager. We may charge a reasonable fee for management services and may cease to provide management services at any time.

If the managing Principal Owner dies or is permanently disabled, his/her executor, administrator, or other personal representative must transfer his/her interest within a reasonable time, not to exceed twelve (12) months from the date of death or permanent disability, to a person we approve. Such transfers, including transfers by devise or inheritance, will be subject to conditions contained in Section 14(B) above.

D. Public or Private Offerings. Subject to Section 14(B) above, if you (or any of your Principal Owners) desire to raise or secure funds by the sale of securities (including common or preferred stock, bonds, debentures or general or limited partnership interests) in you or any affiliate of you, you agree to submit any written information to us before your inclusion of that information in any registration statement, prospectus or similar offering circular or memorandum and must obtain our written consent to the method of financing before any offering or sale of securities. Our written consent will not imply or represent our approval respecting the method of financing, the offering literature submitted to us or any other aspect of the offering. No information respecting us or any of our affiliates will be included in any

securities disclosure document, unless we furnish the information in writing in response to your written request, which request will state the specific purpose for which the information is to be used. Should we, in our discretion, object to any reference to us or any of our affiliates in the offering literature or prospectus, the literature or prospectus will not be used unless and until our objections are withdrawn. We assume no responsibility for the offering.

The prospectus or other literature used in any offering must contain the following language in boldface type on the first textual page:

“NEITHER JL BEERS FRANCHISING, INC. NOR ANY OF ITS AFFILIATES: (A) IS DIRECTLY OR INDIRECTLY THE ISSUER OF THE SECURITIES OFFERED, (B) ASSUMES ANY RESPONSIBILITY RESPECTING THIS OFFERING AND/OR THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED HEREIN, OR (C) ENDORSES OR MAKES ANY RECOMMENDATION RESPECTING THE INVESTMENT CONTEMPLATED BY THIS OFFERING.”

E. Our Right of First Refusal. If you or your Principal Owners at any time desire to sell or assign for consideration the Franchise, the Restaurant, an ownership interest representing (in the aggregate) fifty percent (50%) or more of the ownership in you or all or substantially all of your assets, you or your Principal Owners must obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and must deliver a copy of the offer to us. We have the right, exercisable by written notice delivered to you or your Principal Owners within thirty (30) days following receipt of the proposed offer, to purchase the interest in the Restaurant or ownership interest in you for the price and on terms contained in the offer. We may substitute cash for any non-cash form of payment proposed in the offer and will have a minimum of sixty (60) days to prepare for closing. If we do not exercise our right of first refusal, you or your Principal Owners may complete the sale to the proposed purchaser under the terms of the offer, provided you and the Principal Owners otherwise comply with this Section 14. If the sale to the proposed purchaser is not completed within one hundred twenty (120) days after delivery of the offer to us, or if there is a material change in the terms of the sale, we again will have the right of first refusal.

F. Guaranty. All of your Principal Owners will sign the Guaranty and Assumption Agreement in the form attached to this Agreement as Exhibit D (the “Guaranty Agreement”). Any person or entity that at any time after the date of this Agreement becomes a Principal Owner of yours under the provisions of this Section 14 or otherwise will, as a condition of becoming a Principal Owner, sign the Guaranty Agreement.

15. OUR TERMINATION RIGHTS

A. Termination of Franchise Agreement - Grounds. You will be in default, and we may, at our option, terminate this Agreement, as provided herein, if: (1) the managing Principal Owner fails to satisfactorily complete the initial training program or you fail to open and commence full operations of the Restaurant at such time as provided in this Agreement; (2) you violate any material provision or obligation of this Agreement; (3) you or any of your managers, directors, officers or any Principal Owner makes a material misrepresentation or omission in the application for the Franchise; (4) any of your managers (including the Operating Principal), directors, officers or any Principal Owner is convicted of, or pleads guilty to or no contest to a felony, a crime involving moral turpitude, or any other crime or offense that we believe will injure the System, the Marks or the goodwill associated therewith, or if we have proof that such person has committed such a felony, crime or offense; (5) you fail to conform to the material requirements of the System or the material standards of uniformity and quality for the Products and services as described in the Operations Manual or as we have established under the System; (6) you fail to timely pay Royalty Fees or Production Fees or any other obligations or liabilities due and owing to us or our affiliates, other JL Beers® restaurants

or suppliers we approve as a source for required items, or fail to timely pay any advertising cooperative obligations; (7) you are insolvent within the meaning of any applicable state or federal law; (8) you make an assignment for the benefit of creditors or enter into any similar arrangement for the disposition of your assets for the benefit of creditors; (9) you voluntarily or otherwise “abandon” (as defined below) the Restaurant; (10) you are involved in any act or conduct which materially impairs or otherwise is prejudicial to the goodwill associated with the name “JL Beers” or any of the Marks or the System; (11) you or a Principal Owner makes an unauthorized assignment or transfer of this Agreement, the Restaurant or an ownership interest in you; (12) the operation, maintenance or construction of the Restaurant results in a threat or danger to the public health or safety; (13) you violate any federal, state or local government health code in connection with the operation of the Restaurant; (14) your lease for the Restaurant premises expires or is terminated for any reason (unless, through no fault of you, the lessor of the premises in which the Restaurant is located refuses to renew your lease and you relocate within the Protected Territory to a site we approve within ninety (90) days thereafter); (15) the result of an audit discloses an understatement of Net Sales of three percent (3%) or more; (16) your liquor license for the Restaurant is revoked or suspended; or (17) you willfully and materially falsify any report, statement, or other written data furnished to us either during the franchise application process or after you are awarded a franchise. Any report submitted under Section 10(A) will be conclusively deemed to be materially false if it understates Net Sales by more than five percent (5%). The term “abandon” means your failure to operate the Restaurant during regular business hours for a period of three (3) consecutive days or ten (10) or more days in a twelve-month period without our prior written consent unless such failure is due to an event of “*force majeure*” as further described in Section 20(J) below.

B. Procedure. Except as described below, you will have thirty (30) days, or such longer period as applicable law may require, after your receipt from us of a written Notice of Termination within which to remedy any default hereunder, and to provide evidence thereof to us. If you fail to correct the alleged default within that time, this Agreement will terminate without further notice to you effective immediately when the thirty (30) day period, or such longer period as applicable law may require, expires. You will have ten (10) days after your receipt from us of a written Notice of Termination, or such longer period as applicable law may require, to remedy any default under item (6) in Section 15(A) above and to provide evidence thereof to us. If you fail to correct the alleged default within that time, this Agreement will terminate without further notice to you, effective immediately when the ten (10) day period expires, or such longer period as applicable law may require. You will have seventy-two (72) hours, or such longer period as applicable law may require, after you receive from us a written Notice of Termination to remedy any default under item (13) in Section 15(A) above and to provide evidence thereof to us. If you fail to correct the alleged default within that time, this Agreement will terminate without further notice to you, effective immediately when the seventy-two (72) hour period expires, or such longer period as applicable law may require. We may terminate this Agreement immediately upon delivery of written notice to you, with no opportunity to cure, if the termination results from any of the following: (1) you fail to comply with one or more material requirements of this Agreement on three (3) separate occasions within any twelve (12) month period; (2) the nature of your breach makes it not curable; (3) you willfully and repeatedly deceive customers relative to the source, nature or quality of goods sold; or (4) any default under items (3), (4), (7), (8), (9), (10), (11), (12), (14), (16), or (17) in Section 15(A) above.

C. Management of Restaurant While You are in Default. In addition to our termination rights described in Sections 15(A) and 15(B) above, while you are in default of this Agreement, we may, but are not required to, manage, or designate a third party to manage, the Restaurant on your behalf. Our, or our designee’s, management of the Restaurant does not relieve you of your obligations and neither we nor our designee will be liable for any debts, losses, costs or expenses incurred in operating the Restaurant or to any of your creditors for any materials supplies or services purchased by the Restaurant while we, or our designee, manage it. We, or our designee, may charge you a fee for management services and may cease providing management services at any time.

D. Applicable Law. If the provisions of this Section 15 are inconsistent with applicable law, the applicable law will apply.

16. YOUR TERMINATION RIGHTS

You may terminate this Agreement if we violate any material obligation of us to you and fail to cure such violation within sixty (60) days after our receipt of written notice from you; provided, however, that you are in substantial compliance with the Agreement at the time of giving such notice of termination. Your written notice will identify the violation and demand that it be cured.

17. YOUR OBLIGATIONS UPON TERMINATION OR EXPIRATION

A. Post-Term Duties. If this Agreement expires or is terminated for any reason, you will:

1. immediately cease operation of the Restaurant and using the Marks as well as any confusingly similar trademarks or service marks;
2. within ten (10) days after termination, pay all amounts due and owing to us or our affiliates, including all Royalty Fees, Production Fees and accrued interest due under this Agreement;
3. discontinue using, and return to us by priority United States mail with a tracking number, any hard copies of, the Operations Manuals and any other manuals, advertising materials, and all other printed materials relating to the operation of the Franchise;
4. assign to us or, at our discretion, disconnect the telephone number for the Restaurant. You acknowledge that we have the sole right to and interest in all telephone numbers and directory listings associated with the Marks, and you authorize us, and appoint us as your attorney-in-fact, to direct the telephone company and all listing agencies to transfer such numbers and listings to us;
5. remove from the Restaurant premises all signs, posters, fixtures, decals, wall coverings and other materials that are distinctive of a JL Beers® Restaurant or bear the name “JL Beers” or other Marks;
6. comply with all post-termination obligations under any software license agreement, including the return of all materials relating to any Proprietary Software;
7. take all necessary action to cancel all fictitious or assumed name or equivalent registrations relating to your use of any of the Marks;
8. immediately cease using Confidential Information (including all Customer Data) and return to us all documents in your possession that contain Confidential Information;
9. at our option, we will purchase your inventory of Products in good and saleable condition at your actual cost less a 30% stocking fee and you will return to us any other remaining Products at no cost to us; and
10. comply with all other applicable provisions of this Agreement, including the non-compete provisions.

Upon termination or expiration of this Franchise Agreement for any reason, your right to use the name “JL Beers” and the other Marks and the System will immediately terminate and you (and the Principal

Owners) will not in any way associate yourself/themselves as being associated with us. If you fail to immediately remove all signs and other materials bearing the Marks, we may do so at your expense.

B. Redecoration. If this Agreement expires or is terminated for any reason, and you either remain in possession of the premises of the former Restaurant to operate a separate business not in violation of Section 13 above or enter into an agreement with a third party to allow such third party to directly operate a business at the premises of the former Restaurant, you will, at your expense, modify both the exterior and interior appearance of the business premises so that they will be easily distinguished from the standard appearance of JL Beers® restaurants. At a minimum, such changes and modifications to the premises will include: (1) repainting the premises with totally different colors; (2) removing all signs and other materials bearing the name “JL Beers” and other Marks; (3) removing from the premises all fixtures which are indicative of JL Beers® restaurants, including any top side cooker; (4) discontinuing use of the approved employee uniforms and refraining from using any uniforms which are confusingly similar; (5) discontinuing use of all packaging and Confidential Information regarding the operation of the Restaurant; and (6) taking such other action, at your expense, as we may reasonably require. If you fail to immediately initiate modifications to the premises of the former Restaurant or complete such modifications with any period of time we deem appropriate, you agree that we or our designated agents may enter the premises of the former Restaurant to make such modifications, at your risk and expense, without responsibility for any actual or consequential damages to your property or others, and without liability for trespass or other tort or criminal act.

C. Our Option to Purchase Restaurant. If this Agreement expires or is terminated for any reason (other than our fault), we have the option, upon thirty (30) days’ written notice from the date of expiration or termination, to purchase from you all the tangible and intangible assets relating to the Restaurant, including the Restaurant premises if you own the Restaurant premises (excluding any unsalable inventory, cash, short-term investments and accounts receivable) (collectively, the “Purchased Assets”) and to an assignment of your lease for (1) the Restaurant premises (or, if an assignment is prohibited, a sublease for the full remaining term under the same provisions as your lease) and (2) any other tangible leased assets used in operating the Restaurant. If the landlord respecting the lease for the Restaurant premises is an affiliate of you (controlling, controlled by or under common control with you) we will have the right to assume the lease on terms generally consistent with then-current market rates for space in the immediate area surrounding the Restaurant location. We may assign to a third party this option to purchase and assignment of leases separate and apart from the remainder of this Agreement.

The purchase price for the Restaurant will be the fair market value of the Purchased Assets; provided that: (1) we may exclude from the Purchased Assets any products or other items that were not acquired in compliance with this Agreement; and (2) we may exclude from fair market value any provision for goodwill or similar value attributable to intangible property (such as the Marks, any Proprietary Software and Confidential Information). If the parties cannot agree on fair market value within a reasonable time, we will designate an independent appraiser to determine the fair market value of the Purchased Assets. The determination of such appraiser will be binding on the parties hereto, and the costs of such appraisal will be divided equally between you and us. The purchase price, as determined above, will be paid in cash at the closing of the purchase, which will occur within a reasonable time, not to exceed sixty (60) days, after the fair market value is determined. At the closing, you will deliver documents transferring good and merchantable title to the assets purchased, free and clear of all liens, encumbrances and liabilities to us or our designee and such other documents we may reasonably request to permit us to operate the Restaurant without interruption. We may set off against and reduce the purchase price by all amounts you owe to us or any of our affiliates. If we exercise our option to purchase the Restaurant, we may, pending the closing, appoint a manager to maintain Restaurant operations.

If we assume the lease for the Restaurant under this Section, you will pay, remove or satisfy any liens or other encumbrances on your leasehold interest and will pay in full all amounts due the lessor under the lease existing at or prior to assumption. We are not liable for any obligation you incur before the date we assume the lease.

D. Continuing Obligations. All obligations of us and you which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect following its expiration or termination and until they are satisfied or expire.

18. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION

A. Relationship of the Parties. We and you are independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venture or employee of the other. Neither party will independently obligate the other to any third parties 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. You must conspicuously identify yourself at the premises of the Restaurant and in all dealings with customers, lessors, contractors, suppliers, public officials and others as the owner of the Restaurant under a franchise agreement from us, and must place other notices of independent ownership on signs, forms, stationery, advertising and other materials as we require. Notwithstanding any other provision in this Agreement, you will control and be solely responsible for the day-to-day operation of the Restaurant and the terms and conditions and employment of your personnel, including the soliciting, hiring, firing, disciplining, paying, scheduling, and managing of your employees.

B. Your Indemnification Obligations. You agree to indemnify and hold us and our subsidiaries, affiliates, stockholders, members, directors, officers, employees and agents harmless against, and to reimburse us or them for, any loss, liability or damages arising out of or relating to your ownership or operation of the Restaurant, and all reasonable costs of defending any claim brought against us or any of them or any action in which us or any of them is named as a party (including reasonable attorneys' fees) unless the loss, liability, damage or cost is solely due to our breach of this Agreement, gross negligence or willful misconduct. You must pay all losses, liability or damages we incur pursuant to your obligations of indemnity under this Section 18(B) regardless of any settlement, actions or defense we undertake or the subsequent success or failure of any settlement, actions or defense. Further, you agree to give us immediate notice of any such action, proceeding, demand or investigation brought against you or the Restaurant. We may, at our option, designate counsel, at your expense, to defend or settle such action, proceeding, demand or investigation brought against you or the Restaurant. This obligation does not diminish your indemnification obligations under this Section 18(B).

C. Our Indemnification Obligations. We agree to indemnify and hold you and your officers, directors and agents harmless against, and to reimburse you and them for, any loss, liability or damage solely arising from or relating to our breach of this Agreement, gross negligence or willful misconduct, and all reasonable costs of defending any claim brought against you or them or any action in which you or they are named as a party (including reasonable attorneys' fees).

D. Survival. The indemnities and assumptions of liabilities and obligations continue in full force and effect after the expiration or termination of this Agreement.

19. DISPUTE RESOLUTION

A. Mediation. Except as otherwise stated in this Section 19(A), the parties agree to submit any claim, controversy or dispute arising out of or relating to this Agreement (and attachments) or the relationship created by this Agreement to non-binding mediation before bringing such claim, controversy

or dispute to arbitration or to a court. The mediation will be conducted either through an individual mediator or a mediator appointed by a mediation services organization, experienced in the mediation of disputes between you and us, agreed upon by the parties. If the parties do not agree upon a mediator or mediation services organization within fifteen (15) days after either party has notified the other of its desire to seek mediation, the dispute will be mediated by the American Arbitration Association pursuant to its rules governing mediation, in the city in which our corporate headquarters is located at the time the mediation is commenced. The costs and expenses of mediation, including compensation of the mediator, will be borne equally by the parties. If the parties cannot resolve the claim, controversy or dispute within sixty (60) days after conferring with the mediator, either party may submit such claim, controversy or dispute to the appropriate court as described in Section 19(B) below. We may bring an action under the applicable provisions of this Section 19 without first submitting the action to mediation under this Section 19(A): (1) for injunctive relief, (2) involving the possession or disposition of, or other relief relating to, real property; or (3) for monies you owe us.

B. Arbitration. Except to the extent we elect to enforce the provisions of this Agreement by injunction as provided in Section 19(C) below, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud in the arbitrability of any matter) that have not been settled by or are not otherwise subject to mediation as described in Section 19(A) above will be resolved by arbitration on an individual basis under the authority of the Federal Arbitration Act in Minneapolis, Minnesota. The arbitrator(s) will have a minimum of five (5) years' experience in franchising or distribution law and will have the right to award specific performance of this Agreement. The proceedings will be conducted under the Commercial Arbitration Rules of the American Arbitration Association, or the rules of such other arbitration services organization as the parties otherwise may agree upon in writing, to the extent such rules are not inconsistent with the provisions of this arbitration provision or the Federal Arbitration Act. The decision of the arbitrator(s) will be final and binding on all parties; provided, however, the arbitrator(s) may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; (2) assess punitive or exemplary damages; or (3) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance we establish. Any arbitration proceeding will be limited to controversies between you and us, and will not be expanded to include any other JL Beers® franchisee or include any class action claims. This Section 19 will survive termination or nonrenewal of this Agreement under any circumstances. Judgment upon the award of arbitrator(s) may be entered in any court having jurisdiction thereof. During any arbitration proceeding, we and you will fully perform our respective obligations under this Agreement.

C. Injunctive Relief. Notwithstanding Sections 19(A) and (B) above, you recognize that a single franchisee's failure to comply with the terms of its agreement could cause irreparable damage to us and/or to some or all other JL Beers® restaurants. Therefore, if you breach or threaten to breach any of the terms of this Agreement, we will be entitled to an injunction restraining such breach and/or 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 such equitable relief, until such time as a final and binding determination is made by the arbitrators.

D. Attorneys' Fees. The nonprevailing party will pay all costs, expenses, and interest including reasonable attorneys' fees, the prevailing party incurs in any action brought to enforce any provision of this Agreement or to enjoin any violation of this Agreement.

20. ENFORCEMENT

A. Severability. All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein

and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or non-renewal of this Agreement than is required, or the taking of some other action not required, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by us are invalid or unenforceable, the prior notice and/or other action required by law or rule will be substituted for the comparable provisions.

B. Waiver of Obligations. Our waiver of any breach by you, or our delay or failure to enforce any provision of this Agreement, will not be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce our rights respecting that or any other breach.

C. Rights of Parties are Cumulative. The rights of us and you are cumulative and no exercise or enforcement by either party of any right or remedy precludes the exercise or enforcement by such party of any other right or remedy to which such party is entitled by law or equity to enforce.

D. Venue. Any cause of action, claim, suit or demand allegedly arising from or related to this Agreement or the relationship of the parties must be brought exclusively in the state or federal court of competent jurisdiction in the state covering the location in which our corporate offices are located at the time the action is commenced. We also have the right to file any such suit against you in the federal or state court where the Restaurant is located. Any such action shall be conducted on an individual basis, and not as part of a consolidated, common, or class action, and you and your Principal Owners waive any and all rights to proceed on a consolidated, common, or class basis. Each of us and you irrevocably consents to the jurisdiction of such courts and waive all rights to challenge personal jurisdiction and venue.

E. Governing Law. Subject to our rights under federal trademark laws and the parties' rights under the Federal Arbitration Act, this Agreement will be governed by and construed under the laws of the state where the Restaurant is located, without regard to any conflict of laws principles of such state. You waive, to the fullest extent permitted by law, the rights and protections that might be provided through any state franchise or business opportunity laws, other than those of the state where the Restaurant is located.

F. Binding Effect. This Agreement is binding upon the parties and their respective executors, administrators, heirs, assigns, and successors in interest, and will not be modified except by written agreement signed by both you and us. Except as provided above, this Agreement is not intended, and will not be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

G. References. If you consist of two or more individuals, such individuals will be jointly and severally liable, and references to you in this Agreement will include all such individuals.

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

1. Our Rights. Whenever this Agreement provides that we have or reserve (retain) 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.

2. Our Reasonable Business Judgment. Whenever we reserve discretion in a particular area or where we agree or are required 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. A decision or action by us 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 to promote or benefit the System generally even if the decision or action also promotes a financial or other individual interest of ours. Examples of items that will promote or benefit the System include enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the System. Neither you nor any third party (including a trier of fact) will substitute their judgment for our reasonable business judgment.

I. WAIVER OF PUNITIVE DAMAGES. YOU AND WE AND OUR AFFILIATES AGREE TO WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO OR A CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF ANY DISPUTE BETWEEN US, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY US.

J. WAIVER OF JURY TRIAL. YOU AND WE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.

K. Force Majeure. If any party fails to perform any obligation under this Agreement due to a cause beyond the control of and without the negligence of such party, such failure will not be deemed a breach of this Agreement, provided such party uses reasonable best efforts to perform such obligations as soon as possible under the circumstances. Such causes include strikes, wars, riots, civil commotion, and acts of government, except as may be specifically provided for elsewhere in this Agreement.

L. Notice of Potential Profit. We advise you that we and/or our affiliates periodically may make available to you goods, Products and/or services for use in the Restaurant on the sale of which we and/or our affiliates may make a profit. We further advise you that we and our affiliates periodically may receive consideration from suppliers and manufacturers respecting sales of goods, Products or services to you or in consideration for services provided or rights license to such persons. You agree that we and our affiliates will be entitled to such profits and consideration.

M. Limitation of Actions. Subject to any applicable statute of limitations, you and we agree that neither party will have the right to bring any claim or action against the other party unless the action or claim is commenced within one (1) year after the offended party has knowledge of the facts giving rise to the action or claim.

N. Entire Agreement. The “Introduction” section, the exhibit(s) to this Agreement, and that certain Disclosure Acknowledgment Agreement signed contemporaneously by you are a part of this Agreement, which represents the entire agreement of the parties, and there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement. Nothing in the Agreement is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

21. NOTICES

All written notices and reports permitted or required to be delivered by the provisions of this Agreement are deemed so delivered at the time delivered by hand, one (1) business day after sent by a recognized overnight delivery service which requires a written receipt, or three (3) business days after

placed in the U.S. Mail by registered or certified mail, return receipt requested, postage prepaid and addressed to the party to be notified at the address stated herein or at such other address as may have been designated in writing to the other party.

22. ACKNOWLEDGEMENTS

A. Success of Franchised Business. The success of the business venture you intend to undertake under this Agreement is speculative and depends, to a large extent, upon your (or the Principal Owner's) ability as an independent businessman, and your active participation in the daily affairs of the Restaurant as well as other factors. We do not make any representation or warranty, express or implied, as to the potential success of the business venture.

B. Independent Investigation. You acknowledge that you have entered into this Agreement after making an independent investigation of our operations and not upon any representation as to gross revenues, volume, potential earnings or profits which you might be expected to realize, nor has anyone made any other representation, which is not expressly stated herein, to induce you to accept this Franchise and sign this Agreement.

C. Receipt of Documents. Except for filling in the blank provisions and changes made as a result of negotiations that you initiated, you acknowledge that you received a copy of the complete Franchise Agreement, and exhibits attached hereto, at least seven (7) calendar days before the date on which this Agreement was executed. You further acknowledge that you received the disclosure document required by the trade regulation rule of the Federal Trade Commission entitled "Franchise Disclosure Document" at least fourteen (14) calendar days prior to the date on which this Agreement was executed. You represent that you have read this Agreement in its entirety and that you have been given the opportunity to clarify any provisions that you did not understand and to consult with any attorney or other professional advisor. You further represent that you understand the provisions of this Agreement and agree to be bound.

D. Other Franchises. You acknowledge that other JL Beers® restaurants have or will be granted franchises at different times and in different situations, and further acknowledge that the provisions of such franchises may vary substantially from those contained in this Agreement.

The parties have signed this Agreement on the date stated in the first paragraph.

WE:

YOU:

JL BEERS FRANCHISING, INC.
a North Dakota corporation

Name of corporation or limited liability company

By _____
Its _____

By _____
Its _____

**EXHIBIT A
TO FRANCHISE AGREEMENT**

RESTAURANT LOCATION AND PROTECTED TERRITORY

This Exhibit is attached to and is an integral part of the JL Beers® Franchise Agreement dated _____, 20____ (the “Franchise Agreement”), between us and you.

1. Restaurant Location. We and you agree that the Restaurant will be located at the following premises: _____. You acknowledge that our consent to a proposed location does not represent a warranty or representation of any kind as to the suitability of the proposed location for a JL Beers® Restaurant.

2. Protected Territory. The Protected Territory will be the following:

3. Captive Market Locations. The “Captive Market Locations” within the Protected Territory are as follows:

4. Restaurant Opening. You agree to complete the development and open the Restaurant for business within _____ months after the date first stated above.

5. Defined Terms. All capitalized terms contained in this Exhibit not defined herein will have the same meaning as provided in the Franchise Agreement.

WE:

JL BEERS FRANCHISING, INC.
a North Dakota corporation

By _____
Its _____

YOU:

Name of corporation or limited liability company

By _____
Its _____

**EXHIBIT B
TO FRANCHISE AGREEMENT**

RESTAURANT LOCATION GENERAL AREA

This Exhibit is attached to and is an integral part of the JL Beers® Franchise Agreement dated _____, 20____ (the “Franchise Agreement”), between us and you.

1. Area for Restaurant Location. Within six (6) months after the date of the Franchise Agreement, you will select and obtain our consent to a location with the provisions of this Exhibit within the following described geographical area (the “Area”): _____

2. Consent to Location and Restaurant Opening. To obtain our consent to the proposed Restaurant premises, you must deliver to us a complete site report (containing information we require) for the location at which you propose to establish and operate the Restaurant and which you reasonably believe will satisfy the standardized site selection criteria we have established. The proposed location is subject to our prior written consent, which will not be unreasonably withheld. In evaluating the proposed location, we will consider matters we deem material, including demographic characteristics of the proposed location, traffic patterns, parking, the predominant character of the neighborhood, the proximity to other businesses, including other JL Beers® restaurants, and other commercial characteristics, the purchase price or rental obligations and other lease terms for the proposed location, and the size of premises, appearance and other physical characteristics. Within thirty (30) days following our receipt of the complete site report and other materials we request, we will consent to or reject (in writing) the location you propose for the Restaurant.

YOU ACKNOWLEDGE AND AGREE THAT OUR CONSENT TO A PROPOSED LOCATION DOES NOT REPRESENT A WARRANTY OR REPRESENTATION OF ANY KIND, EXPRESSED OR IMPLIED, AS TO THE SUITABILITY OF THE PROPOSED LOCATION FOR A JL BEERS RESTAURANT.

You agree to complete the development and open the Restaurant for business by _____.

3. Termination of Franchise Agreement. We have the right to terminate the Franchise Agreement, effective upon delivery of notice of termination to you, if you fail to obtain our consent to a location for the Restaurant within six (6) months after the date of the Franchise Agreement.

4. Defined Terms. All capitalized terms contained in this Exhibit and not defined in this Exhibit will have the same meaning as provided in the Franchise Agreement.

WE:

**JL BEERS FRANCHISING, INC.
a North Dakota corporation**

YOU:

Name of corporation or limited liability company

By _____
Its _____

By _____
Its _____

EXHIBIT C
TO FRANCHISE AGREEMENT
RESTAURANT LEASE ADDENDUM

LEASE ADDENDUM

This Lease Addendum is entered into as of the date of the Lease Agreement by and between _____ (“Landlord”) and _____ (“Tenant”).

Landlord and Tenant are parties to that certain Lease of even date (the “Lease”) covering the premises located at _____ (the “Leased Premises”), which Tenant will use to operate a JL Beers® restaurant under a Franchise Agreement (the “Franchise Agreement”) between Tenant and JL Beers Franchising, Inc. (“Franchisor”). Landlord and Tenant desire to amend the Lease to protect the various interests of Franchisor.

In consideration of the foregoing and the promises contained in the Lease, the parties agree as follows:

1. Permitted Use. Landlord and Tenant agree that so long as the Franchise Agreement remains in effect, Tenant may use the Leased Premises only for a JL Beers® restaurant and Tenant may offer for sale and sell at the Leased Premises only those hamburgers, chips, fries and beer and related products and services which Franchisor approves. Landlord further agrees that so long as the Lease is in effect, it will not permit any tenant within the same multi-tenant mall or building to operate any business that offers, sells or distributes primarily hamburgers, fries and beer, or any other business that is competitive with a JL Beer® restaurant, other than businesses in existence in the mall or building as of the effective date of the Lease or upon the written consent of Franchisor and Tenant.

2. Notice of Default. Landlord will provide Franchisor, by certified US mail or a recognized overnight delivery service at the address provided in Section 8 below, a minimum thirty (30) day notice of any default under the Lease before Landlord initiates any action to terminate the Lease or exercise any remedy for such default.

3. Cure. Either Tenant or Franchisor may cure defaults under the Lease and Landlord will accept performance of obligations due under the Lease, as specified in the Lease, by either Franchisor or Tenant. Franchisor will not, however, be under any obligation to cure any default and nothing herein will require Franchisor at any time to comply with or take any action under the provisions of the Lease.

4. Rights of Franchisor After Cure. If Franchisor commences cure of any default under the Lease within the thirty (30) day notice period described in Section 2 above, and if Franchisor thereafter diligently completes cure, Franchisor may, but will not be obligated to, give notice to Landlord and become Tenant under the Lease, in which event Landlord will not be entitled to terminate the Lease.

5. Assignment and Renewal. Landlord consents to an assignment or transfer of Tenant’s rights under the Lease to Franchisor at any time during the term of the Lease; provided that such assignment or transfer is subject to Franchisor’s written agreement to accept such assignment or transfer. Landlord will give Franchisor notice of expiration of the term of the Lease at least three (3) months in advance thereof and grant Franchisor the right, but not the obligation, to exercise any then-existing renewal rights under the Lease.

6. Right of Entry and Subordination. Landlord will give Franchisor access to the Leased Premises at reasonable times on not less than twenty-four (24) hours’ notice (or such shorter notice as may be reasonable when circumstances dictate) either to inspect the Leased Premises for compliance with Franchisor’s requirements, to remove from the Leased Premises any items bearing Franchisor’s marks or

logos or to take other action permissible under the Agreements between Tenant and Franchisor. Landlord specifically subordinates any lien it may have in such items to Franchisor's rights as licensor of the marks or logos displayed on items.

7. Vacating Premises. Upon vacating the Leased Premises, or termination of the Franchise Agreement or Lease (whichever occurs first), Tenant must remove all signs and materials bearing any of Franchisor's marks or logos.

8. Notices. Any notices to Franchisor hereunder will be sent to:

JL Beers Franchising, Inc.
Corporate Offices
16 Broadway, Suite 208
Fargo, ND 58102

9. Benefit. Landlord and Tenant acknowledge that they enter into this Agreement for the express benefit of Franchisor and that Franchisor is an intended beneficiary hereof.

10. Supremacy. This Addendum shall control and supersede any inconsistent provision of the Lease.

The parties have signed this Agreement the day and year first above written.

LANDLORD:

TENANT:

By: _____
Title: _____

By: _____
Title: _____

**EXHIBIT D
TO FRANCHISE AGREEMENT**

GUARANTY AND ASSUMPTION OF OBLIGATIONS

In consideration of the execution of that certain Franchise Agreement of even date (the "Agreement") by JL Beers Franchising, Inc. ("we" or "us"), each of the undersigned (a "Guarantor") personally and unconditionally guarantees to us, and our successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement that _____ ("you") will timely pay and perform each and every undertaking, agreement and covenant stated in the Agreement; and agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement.

Each of the undersigned waives: (1) acceptance and notice of acceptance by us of the foregoing undertaking; (2) notice of demand for payment of any indebtedness; (3) protest and notice of default to any party respecting the indebtedness; (4) any right he may have to require that an action be brought against you or any other person as a condition of liability.

Each Guarantor consents and agrees that:

(1) Guarantor's liability under this undertaking will be direct and independent of the liability of, and will be joint and several with, you and the other Guarantors of you;

(2) Guarantor will make any payment or perform any obligation required under the Franchise Agreement upon demand if you fail to do so;

(3) Guarantor's liability hereunder will not be diminished or relieved by bankruptcy, insolvency or reorganization of you or any assignee or successor;

(4) Guarantor's liability will not be diminished, relieved or otherwise affected by any extension of time or credit which we may grant to you, including the acceptance of any partial payment or performance, or the compromise or release of any claims;

(5) We may proceed against Guarantor and you jointly and severally, or we may, at our option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against you or any other Guarantor; and

(6) Guarantor will pay all reasonable attorneys' fees and all costs and other expenses we incur in enforcing this Guaranty against Guarantor or any negotiations relative to the obligations hereby guaranteed.

Each of the undersigned has signed this Guaranty as of the same day and year as the Agreement was executed.

GUARANTOR(S)

PERCENTAGE OWNERSHIP IN YOU

EXHIBIT C
MULTIPLE RESTAURANT DEVELOPMENT AGREEMENT

EXHIBIT D

LIST OF STATE ADMINISTRATORS; AGENTS FOR SERVICE OF PROCESS

JL BEERS®
MULTIPLE RESTAURANT DEVELOPMENT AGREEMENT

THIS AGREEMENT is made and entered into this _____ day of _____, 20_____, between JL Beers Franchising, Inc., a North Dakota corporation, with a principal place of business at 16 Broadway, Suite 208, Fargo, ND 58102 (“we” or “us”), and _____, a corporation formed and operating under the laws of the State of _____ (“you”).

BACKGROUND:

We and you are, on this day, entering into a JL Beers® Franchise Agreement (the “Initial Franchise Agreement”), whereby you will be granted the right to operate a JL Beers® restaurant in the territory described on Exhibit A of the Initial Franchise Agreement. You desire to obtain the right to develop a total of _____ (_____) JL Beers® restaurants pursuant to our standard Franchise Agreement within one or more specified territories. We are willing to grant such rights pursuant to the provisions stated below.

AGREEMENTS:

We and you agree as follows:

1. Development Rights.

A. Grant of Rights. Subject to the provisions stated below, we grant to you the right to establish and operate for your own account, but not to subfranchise, sublicense or resell, _____ (_____) JL Beers® Restaurants (individually a “Restaurant” and, collectively, the “Restaurants”) pursuant to individual JL Beers® franchise agreements, including the Initial Franchise Agreement (individually a “Franchise Agreement” and collectively “Franchise Agreements”) in the form then-currently used by us at the time of issuance, as amended by Section 2 of this Agreement. Your rights to establish and operate Restaurants under this Agreement will be limited to the area or areas described in Appendix A attached hereto (the “Development Area”). You understand and agree that the Development Area does not include any airports or other locations described in Appendix A attached hereto that have a restricted trade area (“Captive Market Locations”) located within the geographic boundaries of the Development Area.

B. Rights During Development Periods. If you are in full compliance with: (1) the conditions contained in this Agreement, including the satisfaction of the Development Schedule (as defined in Section 5 below) and all development obligations as stated in Appendix B; and (2) all obligations under each Franchise Agreement entered into between us and you for individual Restaurants; then, during the term of this Agreement and subject to Section 1(C) below, we will not operate (directly or through an affiliate), nor grant a franchise to a third party to operate, any Restaurant within the Development Area, except franchises granted to you.

C. Reservation of Rights. We (for us and our affiliates) retain the right:

- (1) to directly operate, or to grant other persons the right to operate, JL Beers® restaurants at locations outside the Development Area;
- (2) to directly operate, or to grant other persons the right to operate, JL Beers® restaurants at Captive Market Locations within and outside the Development Area;
- (3) to promote, sell and distribute the Products and the services authorized for sale at JL Beers® restaurants under trademarks and service marks other than the Marks through similar or dissimilar channels of distribution;

(4) to promote, sell, distribute and license the Products and the services authorized for sale at JL Beers® restaurants as well as ancillary products and services such as food products, beverages, clothing, growlers, glassware and memorabilia under the Marks through dissimilar channels of distribution (*i.e.*, other than the operation of full-service JL Beers® restaurants), including direct mail, wholesale activities, and by electronic means such as the Internet, and pursuant to conditions we deem appropriate within and outside the Development Area; and

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

2. Fees.

A. Initial Fees. For the rights described in Section 1 above, you will pay us a development fee (the “Development Fee”) equal to the aggregate of: (i) an Initial Franchise Fee of Forty Thousand Dollars (\$40,000) for the Initial Franchise Agreement; and (ii) Ten Thousand Dollars (\$10,000) for each additional Restaurant scheduled for development in Section 5 of this Agreement. The Development Fee will be payable when you execute this Agreement. We fully earn the Development Fee when we sign this Agreement. The Development Fee is not refundable under any circumstances, notwithstanding the provisions of Section 4(A) of the Franchise Agreement to the contrary. That portion of the Development Fee attributable to each Franchise Agreement will be credited against the nonrefundable portion of the Initial Franchise Fee due for such Franchise Agreement when it is signed after the Initial Franchise Agreement.

B. Initial Franchise Fees For Subsequent Franchise Agreements. For each Franchise Agreement to be executed under this Agreement, you will be obligated to pay us an Initial Franchise Fee equal to Forty Thousand Dollars (\$40,000) as the Initial Franchise Fee. We acknowledge that you will receive a credit equal to that portion of the Development Fee previously paid to us for such Franchise Agreement.

C. Royalty Fees; Production Fees. For each Franchise Agreement to be signed under this Agreement, you will be obligated to pay us Royalty Fees and Production Fees at the same percentage rate as provided in the Initial Franchise Agreement.

3. Conditions to Development of Additional Restaurants. After the Initial Franchise Agreement, we will be obligated to enter into a Franchise Agreement for the development of a Restaurant under this Agreement only if, at the time you intend to enter into a Franchise Agreement for such Restaurant: (1) you meet the minimum capital and other financial standards stated in Appendix B attached hereto; (2) all amounts due and owing by you to us or our affiliates under or relating to the Initial Franchise Agreement or any other Franchise Agreement are paid in full and you otherwise are in good standing under such Franchise Agreements; and (3) you are not in default for any reason stated in Section 7 below for which you have received written notice.

4. Development Procedure. Each Restaurant to be developed pursuant to this Agreement will be governed by the terms of the Franchise Agreement (or, as applicable, the Initial Franchise Agreement), which we and you will execute for such Restaurant. You will not develop any JL Beers® restaurant at any site which we have not evaluated in writing or for which there is no Franchise Agreement between the parties. Subject only to our evaluation of a proposed site (which evaluation is not a guaranty that the proposed site will be successful), you are solely responsible for locating and securing acceptable sites within the Development Area. If you fail to provide us with an executed Franchise Agreement before you commence construction or leasehold improvements on the premises for a Restaurant, you will be in default under this Agreement and we may terminate this Agreement under Section 7 below.

5. Minimum Development Schedule.

A. Your rights under this Agreement are conditioned upon your active development of the Development Area. You agree to open for business and thereafter maintain in operation within the Development Area not less than the number of Restaurants within the time frame stated in Appendix C attached hereto (the "Development Schedule"). If you fail to meet any aspect of the Development Schedule, we may terminate this Agreement, as described in Section 7 below.

B. During the time period established by the Development Schedule, you may develop additional Restaurant(s) within the Development Area only if you are in good standing under this Agreement, the Initial Franchise Agreement and each additional Franchise Agreement, and you and we execute our then-current form of standard Franchise Agreement for each additional Restaurant, as amended by Section 2 of this Agreement.

6. Term. Subject to Section 7 below, the term of this Agreement will be for _____ (_____) years commencing on the date of this Agreement. There are no renewal rights.

7. Default and Termination.

A. You may terminate this Agreement at any time with or without cause by delivering written notice thereof to us. You will be in default, and we may at our option, terminate this Agreement, as provided herein, if: (1) you fail to meet the Development Schedule, including any extension, as described in Section 5 above; (2) you violate any other material provision of this Agreement; (3) you violate any material provision of the Initial Franchise Agreement or any additional Franchise Agreement issued under this Agreement; (4) you are declared bankrupt or become insolvent; (5) you are convicted of violating any law, ordinance or regulation relating to your operation of any Restaurant referenced herein or developed hereunder; or (6) you attempt to subfranchise in any manner all or part of your rights under this Agreement.

B. Except as described below, you will have thirty (30) days, or such longer period as applicable law may require, after your receipt from us of a written notice of termination within which to correct any default hereunder, and to provide evidence thereof to us. If you fail to correct the alleged default within that time (or such longer period of time as applicable law may require), this Agreement will terminate without further notice to you effective immediately upon the expiration of the thirty (30) day period (or such longer period as applicable law may require). We may terminate this Agreement immediately upon delivery of written notice to you, with no opportunity to correct any default, if the termination results from any of the following: (1) you repeatedly fail to comply with one or more material requirements of this Agreement; (2) the nature of your breach makes it not correctable; or (3) any default under items (4), (5) or (6) in Section 7(A) above.

C. During the period from the date we send a notice of termination until all violations and defaults specified therein are corrected by you or this Agreement is terminated, we will not be obligated to enter into any Franchise Agreement with you or otherwise perform any obligations pursuant to this Agreement. Upon termination or expiration of this Agreement, all rights licensed herein will automatically revert to us and your right to develop Restaurants within the Development Area will cease. Termination or expiration of this Agreement will not affect your rights under any individual Franchise Agreements in effect at that time.

8. Transfers. Franchise Agreements may be transferred only pursuant to their respective terms. You represent and warrant to us that you intend to develop, manage, and operate all of the Restaurants to be developed hereunder for your own benefit and not for the purpose of or with a view towards resale or redistribution of the franchises to be issued under this Agreement. This Agreement cannot be pledged,

transferred or sold in whole or in part by you without our prior written consent. We may impose conditions to any proposed transfer or assignment including the following:

- A. You are in complete compliance with the terms of this Agreement and all other agreements between the parties;
- B. The proposed transferee has been approved by us as meeting our then-current standards for multiple restaurant franchisees;
- C. The proposed transferee has completed our training program;
- D. You assign to the proposed transferee your interest in the individual Franchise Agreements for all Restaurants located in the Development Area;
- E. You sign a release of claims regarding this Agreement and the individual Franchise Agreements; and
- F. You pay a transfer fee of Five Thousand Dollars (\$5,000).

We may expand upon, and provide more details related to, the conditions for transfer and our consent as described in this Section 8, and may do so in the Operations Manual or otherwise in writing.

This Agreement may be assigned and transferred by us and will benefit our successors and assigns. Any such assignment or transfer will require the assignee to fulfill our obligations under this Agreement.

9. Guaranty. All of your Principal Owners must sign the Guaranty and Assumption Agreement in the form attached hereto as Appendix D (the “Guaranty Agreement”). Any person or entity that at any time after the date of this Agreement becomes a Principal Owner of yours under the provisions of Section 8 or otherwise will, as a condition of becoming a Principal Owner, sign the Guaranty Agreement.

10. Enforcement. This Agreement, and any dispute arising hereunder, will be governed by those provisions found in the Initial Franchise Agreement respecting arbitration, governing law and injunctive relief.

11. Miscellaneous. This Agreement represents the entire Agreement of the parties relative to its subject and no provisions of this Agreement can be waived, altered or rescinded in whole or in part except by an express writing signed by the parties. The provisions of this Agreement are severable and the invalidity or unenforceability of any of them will not affect the remainder of this Agreement. All capitalized terms not defined herein will have the meaning described in the Initial Franchise Agreement.

The parties have signed this Agreement as of the date first written above.

WE:

JL BEERS FRANCHISING, INC.

By _____
Its _____

YOU:

(Print Corporate Name)

By _____
Its _____

APPENDIX A
TO MULTIPLE RESTAURANT DEVELOPMENT AGREEMENT
FRANCHISEE'S DEVELOPMENT AREA

This Appendix is attached to and is an integral part of the JL Beers® Multiple Restaurant Development Agreement dated _____, 20____ between us and you.

1. Description of Development Area (Select A or B):

_____ A. General Development Area within which all Restaurants will be developed:

OR

_____ B. Development Area for each Restaurant to be developed:

Restaurant 1:

Restaurant 2:

Restaurant 3:

Restaurant 4:

Restaurant 5:

2. Captive Market Locations. The "Captive Market Locations" within the Development Area are as follows:

WE:

JL BEERS FRANCHISING, INC.

By _____
Its _____

YOU:

(Print Corporate Name)

By _____
Its _____

**APPENDIX B
TO MULTIPLE RESTAURANT DEVELOPMENT AGREEMENT**

**MINIMUM FINANCIAL STANDARDS
FOR MULTIPLE RESTAURANT DEVELOPMENT**

To develop a restaurant under the Multiple Restaurant Development Agreement, you will need to satisfy the following requirements at the time you desire to proceed with development of that Restaurant:

AVERAGE TOTAL INVESTMENT: [_____]

MINIMUM FOR ONE RESTAURANT: [_____]

CASH \$300,000

FINANCING (Secured through
Bank or other means) [_____]

You agree to provide all appropriate financial documentation that we request to ensure that you satisfy these requirements.

WE:

JL BEERS FRANCHISING, INC.

YOU:

(Print Corporate Name)

By _____
Its _____

By _____
Its _____

APPENDIX C
TO MULTIPLE RESTAURANT DEVELOPMENT AGREEMENT

MINIMUM DEVELOPMENT SCHEDULE

This Appendix is attached to and is an integral part of the JL Beers® Multiple Restaurant Development Agreement dated _____, 20____ between us and you.

1. Development Schedule.

You agree to timely open Restaurants in compliance with the following Development Schedule.

Restaurant #	Date of Restaurant Opening	Cumulative Number of Restaurants to be Opened
1*	Within 12 months of the date of this Agreement and the Initial Franchise Agreement	1
2	Within the earlier of 12 months from the date the First Restaurant is open and operating or 18 months from the date of this Agreement	2
3	Within 12 months from the date the Second Restaurant is open and operating	3

* Restaurant for the Initial Franchise Agreement

APPROVED:

WE:

JL BEERS FRANCHISING, INC.

YOU:

(Print Corporate Name)

By _____
Its _____

By _____
Its _____

**APPENDIX D
TO MULTIPLE RESTAURANT DEVELOPMENT AGREEMENT**

GUARANTY AND ASSUMPTION OF OBLIGATIONS

In consideration of the execution of that certain Multiple Restaurant Development Agreement of even date (the "Agreement") by JL Beers Franchising, Inc. ("we" or "us"), each of the undersigned (a "Guarantor") personally and unconditionally guarantees to us, and our successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement that _____ ("you") will timely pay and perform each and every undertaking, agreement and covenant stated in the Agreement; and agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement.

Each of the undersigned waives: (1) acceptance and notice of acceptance by us of the foregoing undertaking; (2) notice of demand for payment of any indebtedness; (3) protest and notice of default to any party respecting the indebtedness; (4) any right he may have to require that an action be brought against you or any other person as a condition of liability.

Each Guarantor consents and agrees that:

(1) Guarantor's liability under this undertaking will be direct and independent of the liability of, and will be joint and several with, you and the other Guarantors of you;

(2) Guarantor will make any payment or perform any obligation required under the Franchise Agreement upon demand if you fail to do so;

(3) Guarantor's liability hereunder will not be diminished or relieved by bankruptcy, insolvency or reorganization of you or any assignee or successor;

(4) Guarantor's liability will not be diminished, relieved or otherwise affected by any extension of time or credit which we may grant to you, including the acceptance of any partial payment or performance, or the compromise or release of any claims;

(5) We may proceed against Guarantor and you jointly and severally, or we may, at our option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against you or any other Guarantor; and

(6) Guarantor will pay all reasonable attorneys' fees and all costs and other expenses we incur in enforcing this Guaranty against Guarantor or any negotiations relative to the obligations hereby guaranteed.

Each of the undersigned has signed this Guaranty as of the same day and year as the Agreement was executed.

GUARANTOR(S)

PERCENTAGE OWNERSHIP IN YOU

**STATE ADMINISTRATORS AND
AGENTS FOR SERVICE OF PROCESS**

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7th Place East, Suite 280 St. Paul, MN 55101-2198
Nebraska	Department of Banking and Finance	Commerce Court 1526 K Street, Suite 300 Lincoln, NE 68508
North Dakota	Securities Commissioner North Dakota Securities Department	600 East Boulevard Avenue State Capitol, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
South Dakota	South Dakota Department of Labor and Regulation Division of Insurance – Securities Regulation	124 S. Euclid, Suite 104 Pierre, SD 57501
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705

EXHIBIT E

STATE SPECIFIC ADDENDA

MINNESOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

This Addendum relates to franchises sold in the state of Minnesota and is intended to comply with Minnesota statutes and regulations.

1. Item 13. Item 13 of the disclosure document is amended to include the following language:

We will indemnify you for damages for which you are held liable in any proceeding arising out of the use of the “JL Beers” mark, provided you have used the Marks properly and have notified us of any claim against you within 10 days of your knowledge of the claim. We will have sole control of any litigation involving the Marks. Our indemnification obligation will not apply to any franchisee residing outside the state of Minnesota who purchases a franchise to be located outside of Minnesota.

2. Item 17. Item 17 of the disclosure document is amended to include the following: “Minnesota law provides franchisees with certain termination and non-renewal rights. Minnesota Statutes Section 80C.14, Subds. 3, 4 and 5 require, except in certain specified cases, that you be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for nonrenewal of the Franchise Agreement.

Minnesota Statutes Section 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. To the extent a dispute is subject to litigation (and not arbitration or mediation), nothing in the disclosure document or Franchise Agreement can eliminate or reduce any of your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Items 17(c) and (m) require you to sign a release as a condition to renewal or transfer. These provisions may not be enforceable under Minnesota law as we are prohibited from requiring you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22, provided that the foregoing shall not bar the voluntary settlement of disputes”

Exhibit G to the Franchise Disclosure Document is revised as follows:

Question 7 of the Disclosure Acknowledgement Agreement, which relates to COVID-19, is hereby deleted in its entirety.

MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

This Addendum relates to franchises sold in Minnesota and is intended to comply with Minnesota statutes and regulations. In consideration of the execution of the Franchise Agreement, we and you agree to amend the Franchise Agreement as follows:

1. Marks – Indemnification. Sections 8(E) and 18 of the Franchise Agreement are amended to include the following language:

We will indemnify you (if you are a Minnesota franchisee) for damages for which such you are held liable in any proceeding arising out of the use of the “JL Beers” mark, provided that you have used the mark properly and have notified us of any claim against you within ten (10) days of your knowledge of such claim. We will have sole control of any litigation involving the Marks. Our indemnification obligation will not apply to any franchisee residing outside the state of Minnesota who purchases a franchise to be located outside of Minnesota.

2. Application of Minnesota Law. Sections 3(B) and 15 of the Franchise Agreement are amended by adding the following sentences at the end of each Section: “Minnesota law provides franchisees with certain termination and nonrenewal rights. Minnesota Statutes, Section 80C.14, Subds. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for nonrenewal of the Franchise Agreement.”

3. Release. We are prohibited from requiring you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22, provided that the foregoing shall not bar the voluntary settlement of disputes.

4. Venue. Section 20(D) of the Franchise Agreement is deleted.

5. Governing Law. Section 20(E) of the Franchise Agreement is amended by adding the following provision at the end of such Section: “Under Minnesota Statutes Section 80C.21, this section will not in any way abrogate or reduce any rights of the franchisee as provided for in Minnesota Statutes, Chapter 80C, including the right to submit non-arbitrable matters to the jurisdiction of the courts in Minnesota. Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400J prohibit the franchisor from requiring litigation to be conducted outside Minnesota.”

6. Injunctive Relief. Notwithstanding anything in the Franchise Agreement to the contrary, you do not consent to us obtaining injunctive relief. We may seek injunctive relief. The court of competent jurisdiction will determine the amount of any bond that may be required.

7. Limitation of Claims. Section 20(L) is hereby amended to provide that you will not have the right to bring any claim or action pursuant to Minnesota Statutes, Section 80C.17, Subd. 5 against us unless the action or claim is commenced within three (3) years after the cause of action accrues.

8. Construction. In all other respects, the Franchise Agreement will be construed and enforced with its terms.

WE:

JL BEERS FRANCHISING, INC.

By _____
Its _____

YOU:

By _____
Its _____

NORTH DAKOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

This Addendum relates to franchises sold in the State of North Dakota and is intended to comply with North Dakota statutes and regulations.

1. Item 17. Item 17 of the disclosure document is amended by the addition of the following:

Items 17(c) and (m) require you to sign a release as a condition to renewal or transfer. These provisions may not be enforceable in North Dakota. Specifically, any general release you are required to assent to as a condition of renewal is not intended to nor shall it act as a release, estoppel or waiver of any liability the Franchisor may have incurred under the North Dakota Franchise Investment Law. In addition, the Franchise Agreement contains covenants not to compete which extend beyond the termination of the franchise. These provisions may not be enforceable in North Dakota. Finally, in North Dakota, Item 17 (u) is amended to provide that the North Dakota Securities Commissioner has held that it is unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law to require you to agree in advance to mediate or arbitrate disputes outside the State of North Dakota.

NORTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT

This Addendum relates to franchises sold in North Dakota and is intended to comply with North Dakota statutes and regulations. In consideration of the execution of the Franchise Agreement, we and you agree to amend the Franchise Agreement as follows:

1. Covenant Not to Compete. Sections 14(C) and 18(A)(8) of the Franchise Agreement are amended to provide that covenants not to compete upon termination or expiration of the Franchise Agreement may not be enforceable, except in certain circumstances provided by law.

2. Mediation and Arbitration. The North Dakota Securities Commissioner has held that it is unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law to require you to mediate or arbitrate at a location that is remote from the site of your business, as stated in Sections 19(A) and 19(B) of the Franchise Agreement.

3. Waiver of Damages. The North Dakota Securities Commissioner has held that it is unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law for the parties to waive their right to claim punitive or exemplary damages, as stated in Section 20(I). Any release executed in connection with a renewal shall not apply to any claims that may arise under the North Dakota Franchise Investment Law.

4. Limitation of Claims. The North Dakota Securities Commissioner has held that it is unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law to require you to consent to a limitation of claims, as stated in Section 20(L) of the Franchise Agreement.

5. Construction. In all other respects, the Franchise Agreement will be construed and enforced with its terms.

WE:

JL BEERS FRANCHISING, INC.

By _____
Its _____

YOU:

By _____
Its _____

EXHIBIT F
GENERAL RELEASE FORM

FORM RELEASE OF CLAIMS

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

For and in consideration of the Agreements and covenants described below, JL Beers Franchising, Inc. (“we” or “us”), _____ (“you”) and _____ (“Guarantors”) enter into this Release of Claims (“Agreement”).

RECITALS

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

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

AGREEMENTS

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

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

4. **Release of Claims.**

A. Definitions.

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

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

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

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

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

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

YOU:

WE:

JL BEERS FRANCHISING, INC.

BY: _____

BY: _____

ITS: _____

ITS: _____

DATE: _____

DATE: _____

PERSONAL GUARANTORS:

EXHIBIT G
DISCLOSURE ACKNOWLEDGMENT AGREEMENT

**DISCLOSURE
ACKNOWLEDGMENT AGREEMENT**

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

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

2. I have signed and returned to JL Beers Franchising, Inc. (you or your) the acknowledgment of receipt for each disclosure document given me.

3. I have had an opportunity to read the Franchise Agreement, and (if applicable) the Multiple Restaurant Development Agreement, thoroughly and understand all of your covenants and obligations and my obligations as a franchisee of the JL Beers® system. I understand that the Franchise Agreement and, if applicable, the Multiple Restaurant Development Agreement, contains all obligations of the parties and that you do not grant to me under either agreement any right of first refusal.

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

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

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

7. I understand that this franchise business may be impacted by other risks, including those outside your or our control such as economic, political or social disruption, including COVID-19. In addition, I understand that the COVID-19 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. The extent to which the coronavirus impacts the JL Beers® system will depend on future developments which are highly uncertain and which we cannot predict.

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

Applicants' Acknowledgment:

Name: _____
Date: _____

Name: _____
Date: _____

EXHIBIT H

**LIST OF FRANCHISEES
as of December 31, 2021**

Owner's Name	Address	State	Zip Code	Phone Number
John Glockner	1230 County Road 42 Burnsville	MN	55337	(952) 456-6939
Jesse Zwak	5900 16th Avenue SW Minot	ND	58701	(701) 721-2815
Steve Stenehjem	101 Main Street Watford City	ND	58854	(701) 444-2015

**FORMER FRANCHISEES
as of December 31, 2021**

None

EXHIBIT I
STATE EFFECTIVE DATES AND RECEIPT PAGES

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration:

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

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

State	Effective Date
Minnesota	Pending
North Dakota	Pending
South Dakota	Pending
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

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

If JL Beers Franchising, Inc. ("JLB") offers you a franchise, JLB must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, JLB or its affiliate in connection with the proposed franchise sale.

If JLB 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 D**.

Issuance Date: April 28, 2022

The franchisor is JL Beers Franchising, Inc., located at 16 Broadway, Suite 208, Fargo, North Dakota 58102. Its telephone number is (701) 237-5151.

JLB's franchise sellers involved in offering and selling the franchise are Warren Ackley, (701) 237-5151 (Ext. 12), Vonnie Birmingham (701) 237-5151 (Ext. 13), Dan Chase, (701) 237-5151 (Ext. 23), Lance Thorson, (701) 237-5151 (Ext. 15), and Randy Thorson, (701) 237-5151 (Ext. 11), 16 Broadway, Suite 208, Fargo, North Dakota 58102, or are listed below (with address and telephone number), or will be provided to you separately before you sign a franchise agreement: _____.

JLB authorizes the respective state agencies identified on **Exhibit D** to receive service of process for JLB in the particular state.

I have received a disclosure document with an issuance date of April 28, 2022, that included the following Exhibits:

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

Date: _____
(Do not leave blank)

(Print Name of Prospective Franchisee (For Entity))

By: _____

Its: _____

Signature _____

(Print Name of Prospective Franchisee (For Individuals))

Signature _____

Copy for Franchisee

RECEIPT

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

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| D. List of State Administrators, Agents for Service of Process | H. List of Franchisees |
| | I. State Effective Dates and Receipt Pages |

Date: _____
(Do not leave blank)

(Print Name of Prospective Franchisee (For Entity))

Its: _____

Signature _____

(Print Name of Prospective Franchisee (For Individuals))

Signature _____

Please sign and date both copies of this receipt, keep one copy (the previous page) for your records, and mail one copy (this page) to the address listed on the front page of this disclosure document or send to Vonnie Birmingham at: vonnie@jlbeers.com or by fax to (701) 237-3189.

Copy for JL Beers Franchising, Inc.