# FRANCHISE DISCLOSURE DOCUMENT

LC FRANCHISOR, LLC
a Delaware limited liability company
12977 North Forty Drive, Suite 100
St. Louis, Missouri 63141
(314) 821-8665
franchising@lionschoice.com
www.lionschoice.com

The franchise offered is for a Lion's Choice restaurant which will specialize in the retail sale of slow-roasted roast beef sandwiches and other menu items.

The total investment necessary to begin operation of a Lion's Choice restaurant is $1,277,200 to $1,847,500 (excluding real estate and related costs, and landlord allowances), including an initial franchise fee of thirty thousand dollars ($30,000), payable to us. If you sign an area development agreement to develop a number of Lion's Choice restaurants, you also will have to pay a development fee, the amount of which will vary, depending on the factors described in Item 5 of this Disclosure Document, and maintain initial working capital of $125,000.

This disclosure document summarizes certain provisions of your franchise agreement and other agreements and 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 franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

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 accountant.

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 Mike Kupstas (CEO) or Jason Denbow (Development Manager) at (314) 821-8665.

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

Date of Issuance: August 4, 2022.

**How to Use This Franchise Disclosure Document**

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

| QUESTION | WHERE TO FIND INFORMATION |
|---|---|
| **How much can I earn?** | Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits E-1 and E-2. |
| **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 F 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 LION'S CHOICE® business in my area?** | Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you. |
| **Does the franchisor have a troubled legal history?** | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings. |
| **What's it like to be a LION'S CHOICE ® franchisee?** | Item 20 or Exhibits E-1 and E-2 list 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 instituting legal action only in Missouri. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in Missouri than in your own state.

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## EXHIBITS

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

Unless the context otherwise requires, all references to "LC Franchisor," "we," "us," or "our" refer to LC FRANCHISOR, LLC and all references to "Franchisee," "you," or "your" refer to the person who is granted the right to operate a Lion's Choice restaurant under a Franchise Agreement. If you are a corporation, limited liability company, partnership or any other type of legal entity, the provisions of the Franchise Agreement (and, if applicable, the Area Development Agreement) also apply to your owners by virtue of the requirement that some or all your owners personally guarantee, and be personally bound by, your obligations under the Franchise Agreement (and, if applicable, the Area Development Agreement). All initially capitalized terms used but not defined in this Disclosure Document have the meanings ascribed to them in the Franchise Agreement and Area Development Agreement.

### A. LC FRANCHISOR, LLC

LC Franchisor is a Delaware limited liability company, reorganized on July 19, 2013 as a limited liability company from a corporation previously known as RLB Franchise Corp. Our principal place of business is 12927 North Forty Drive, Suite 100, St. Louis, Missouri 63141. Our registered agents and agents for service of process are listed in Exhibit D. As of the date of this Disclosure Document, LC Franchisor does business under the name LC Franchisor and Lion's Choice.

### B. LC FRANCHISOR'S BUSINESS

LC Franchisor is in the business of franchising Lion's Choice restaurants, using certain of the "Marks" and "System," as defined in the Franchise Agreement attached as Exhibit B, which restaurants are premium, quick-service restaurants, specializing in the sale of slow-roasted roast beef sandwiches and other menu items, including French fries and custard.

We have been offering franchises for Lion's Choice restaurants since July 2022. We have never operated Lion's Choice restaurants, but our affiliate, LC Restaurant, LLC (described below) does. We have not offered franchises in any other lines of business.

### C. THE PARENT, PREDECESSOR AND AFFILIATES OF LC FRANCHISOR

LC Franchisor is a wholly-owned subsidiary of LC Corporate LLC, (referred to as "Parent Company"), which has two other wholly-owned subsidiaries, LC Restaurant LLC (which owns and operates Lion's Choice restaurants) and LC Real Estate LLC (which owns some properties for Lion's Choice restaurants). Our Parent Company and affiliates (and predecessors) have the same principal place of business as us. LC Restaurant LLC has been operating Lion's Choice since July 2013; its predecessor operated Lion's Choice restaurants since 1967. Our predecessor, RLB Franchise Corp. offered franchises for Lion's Choice restaurants since 2000. Except as noted above, neither our Parent Company nor any of our affiliates have operated or franchised Lion's Choice restaurants, nor franchised in any other line of business.

For purposes of the Disclosure Document, Lion's Choice restaurants operated by LC Restaurant LLC will be called company-owned Restaurants.

Our Parent Company is owned by FSM Fund I, affiliated with Millstone Capital Advisors, and by Black Rock Holdings, neither of which operate or franchise Lion's Choice restaurants, nor franchise in any other line of business.

Our predecessor is RLB Franchise Corp., which had the same principal place of business as ours.

None of the above affiliated companies provide products or services to you.

## D. THE FRANCHISE

We offer to qualified persons the right to develop multiple Lion's Choice restaurants within a specific geographic area (the "Development Area") under our standard form area development agreement (the "Area Development Agreement" or "ADA"). A copy of the Area Development Agreement is attached as Exhibit A. The Area Development Agreement requires you to open an agreed-upon number of Lion's Choice restaurants under a Development Schedule, each restaurant operated pursuant to our then-current form of franchise agreement. We also offer qualified persons the right to own and operate a single Lion's Choice restaurant at an agreed-upon location. A copy of our current form of Franchise Agreement is attached as Exhibit B.

You will have to compete with other businesses offering similar products, including specialty food, casual dining, and quick service restaurants, including national, regional and locally-owned restaurants offering products similar to those offered by Lion's Choice restaurants.

The restaurant industry is a highly competitive and developed market, which can be affected significantly by many factors, including changes in local, regional or national economic conditions, changes in consumer tastes and spending patterns, consumer concerns about the nutritional quality of quick-service food, negative publicity about the ingredients we use or the occurrence of food-borne illnesses, dietary trends, and increases in the number of, and particular locations of, competing restaurants. Various factors can adversely affect the restaurant industry, including weather conditions; inflation; availability of and resulting increases in food and ingredient costs; labor and energy costs; the availability and cost of suitable sites; fluctuating interest and insurance rates; state and local regulations and licensing requirements; the availability of ingredients, particularly select proteins raised without antibiotics, food items and an adequate number of hourly-paid and salaried employees; and other factors that may affect restaurants or retailers in general.

You should consider that certain aspects of any restaurant business are regulated by federal, state and local laws, rules and ordinances in addition to the laws, regulations and ordinances applicable to businesses generally, such as the Americans with Disabilities Act, Federal Wage and Hour Laws and state law equivalents, the Occupational Safety and Health Act, the Affordable Care Act, the National Labor Relations Act, data protection (such as credit card data protection under FACTA) and privacy laws. The Environmental Protection Agency, the U.S. Food and Drug Administration, the U.S. Department of Agriculture, as well as state and local environmental and health departments and other agencies have laws and regulations concerning the preparation and labeling of food and sanitary conditions of restaurant facilities. State and local agencies routinely conduct inspections for compliance with these requirements. Under the Clean Air Act and state implementing laws, certain state and local areas are required to attain, by the applicable statutory guidelines, the national quality standards for ozone, carbon monoxide and particulate matters. Certain provisions of such laws impose limits on emissions resulting from commercial food preparation.

From time to time, we may sell and franchise one or more of our company-owned Lion's Choice restaurants. In these transactions, we negotiate with the prospective franchisee to reach mutually acceptable terms of a sale agreement and any lease or sublease of the real estate. If you purchase a company-owned Lion's Choice restaurant, you must sign a Franchise Agreement and, possibly, also an Area Development Agreement for the further development of Lion's Choice restaurants in the geographic area where the purchased Lion's Choice restaurant(s) is located. Depending on the circumstances, the financial and other terms may vary from the standard terms of our Franchise Agreement and Area Development Agreement.

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## ITEM 2
## BUSINESS EXPERIENCE

**President and Chief Executive Officer: Michael Kupstas**.

Mike Kupstas has served as our President and Chief Executive Officer since May 2017. Since 2013, he has been founder and managing member of Forks In The Air LLC, which owns Forks in the Air Mountain Bistro in Rangeley ME. From 1995 through 2012, he was with Panera LLC (St. Louis, Mo.) in various positions, including Vice President of Operations, Vice President of Communications and Senior Vice President/Chief Franchise Officer.

**Chief Financial Officer: Matt Barry**.

Matt Barry has served as our Chief Financial Officer since September 2018. From 2012 to September 2018, he served as Chief Financial Officer of Sansone Group in St. Louis, MO.

**Director of Operations: Rick Orf**.

Rick Orf has been our Director of Operations since March 2022 and was a District Manager from September 2017 until March 2022. From July, 2015 until September 2017, he was Director of Operations at Show Me Hospitality, located in St. Louis, Missouri.

All personnel are based in St. Louis Missouri.

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## ITEM 3
## LITIGATION

No litigation is required to be disclosed in this Item.

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## ITEM 4
## BANKRUPTCY

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

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## ITEM 5
## INITIAL FEES

**Area Development Agreement.**

Under the Area Development Agreement you must pay a development fee (the "Development Fee") equal to five thousand dollars ($5,000) multiplied by the number of Lion's Choice restaurants to be opened, which is determined by mutual agreement and will vary depending upon a variety of factors, including: (1) existing population and anticipated population growth within the Development Area; (2) competition within the Development Area; (3) the availability of acceptable locations; and (4) the number of Lion's Choice restaurants we estimate can be developed within the Development Area.

The initial franchise fee payable for each Lion's Choice restaurant you are required to develop under an Area Development Agreement is thirty thousand dollars ($30,000), but we will apply five thousand dollars ($5,000) of the Development Fee against the initial franchise fee payable under each Franchise Agreement. No portion of the Development Fee is refundable if you fail to develop the cumulative number of Lion's Choice restaurants to be developed.

**Franchise Agreement.**

The initial franchise fee is thirty thousand dollars ($30,000) (less, if applicable, $5,000 credit as described above), which is due and payable at time of signing a Franchise Agreement. The initial franchise fee is not refundable in whole or in part.

Except as noted above with respect to the credit of a portion of the Development Fee under an Area Development Agreement, and possibly in connection with the sale of company-owned Lion's Choice restaurants (See Item 1), the thirty thousand dollars ($30,000) franchise fee is uniform to all franchisees currently purchasing a franchise.

A franchise fee equal to fifty percent (50%) of the LC Franchisor's then-current franchise fee is payable in connection with the renewal of a Franchise Agreement. A transfer fee of seven thousand five hundred dollars ($7,500), plus costs, is payable in connection with the transfer of a Franchise Agreement.

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## ITEM 6
## OTHER FEES

### FRANCHISE AGREEMENT

| Type of fee | Amount | Due Date | Remarks (See Note 1) |
|---|---|---|---|
| Royalty | 5% of Net Sales | Payable on the 1st business day immediately following each "Reporting Period" | "Net Sales" is defined in Note 2 below; payment made by automatic electronic withdrawal. "Reporting Period" is the period from Sunday to Saturday (or as determined by us). |
| Brand Fund | 3.0% of Net Sales | If and when formed, Brand Fund contributions are payable on the 1st business day immediately following each "Reporting Period". | "Net Sales" is defined in Note 2 below. Payment is made by automatic electronic withdrawal. "Reporting Period" is the period from Sunday to Saturday (or as determined by us). |
| Local Advertising Requirement | 5.0% of Net Sales, less any Brand Fund contributions | | See Note 3. |
| Miscellaneous Administrative Fees | To be reasonably determined by us from time to time | Upon demand | Currently, miscellaneous fees include a relocation fee of $7,500 if you close your Restaurant at one location and relocate it to another location with our consent, and a $30 fee if you do not submit Periodic Reports on a timely basis. |
| Quality Control Program | Varies | Ongoing | Must contribute pro-rata share of costs of any program implemented, such as Reputation Management Customer Satisfaction Measurements or other programs we may implement. |
| Re-Inspection Fee | [$2,500] | Upon demand | If the inspection conducted by us or our designated agents reveals that your restaurant fails to meet our minimum standards (as we determine from time to time), we may charge our then-current standard re-inspection fee for any follow-up inspection relating to such failure. |
| Interest on late payments | 2% over prime rate | Immediately | The interest rate applies to any money you owe us or any of our Affiliates after the due date. |
| Fee for insufficient funds in bank account | Currently $30 (bank fee plus administrative fee) | Within 14 days of notice from us of the insufficient funds | Applies to any insufficient fund payment made by electronic transfers or checks to us or our Affiliates. |

| Type of fee | Amount | Due Date | Remarks (See Note 1) |
|---|---|---|---|
| Fees to evaluate and approve alternative suppliers | Our reasonable costs and expenses. | Upon receipt of our bill | We may impose reasonable inspections and supervision fees to cover our costs in evaluating and maintaining alternative brands or suppliers you propose in accordance with the Franchise Agreement. |
| Audit | Cost of audit. | Completion of audit | Payable if you fail to furnish required information or if we find an understatement of Net Sales greater than 2%. |
| Site Selection Costs | LC Franchisor's reasonable expenses, which are expected to range between $1,500 and $4,000. | As incurred | Must reimburse us for our reasonable expenses, including the costs of travel, meals and lodging incurred in site evaluation for each visit after the initial visit. The expenses associated with site evaluation will not be refundable and will vary depending on various factors. |
| Insurance | Will vary under circumstances | As incurred | If you fail or refuse to obtain the required insurance coverage for the Lion's Choice restaurant, we may obtain coverage at your expense. |
| Maintenance costs | Will vary under circumstances | As incurred | If you fail or refuse to maintain the Lion's Choice restaurant as required, we have the right to do so on your behalf and at your expense. |
| Attorneys' fees and other costs | Will vary under circumstances | As incurred | Payable if we prevail in any legal dispute with you. |
| Indemnification | Will vary under circumstances | As incurred | You must reimburse us if we incur any expense, including attorneys' fees and other costs, or are held liable for claims arising out of your breach of the Franchise Agreement or the development and operation of your restaurant. |
| Transfer | $7,500, plus costs | Upon sale or transfer | Except in the case of a transfer to a legal entity formed solely for the convenience of ownership, you must pay us a transfer fee. |
| Renewal | Fifty (50%) of the then-current initial franchise fee | Upon signing successor franchise agreement | |

Note 1: Except as noted, all fees are payable to LC Franchisor and are uniform and non-refundable.

Note 2: The term "Net Sales" means the aggregate amount, determined in accordance with Lion's Choice Accounting Standards, of all sales of food, beverages and other products and merchandise sold and services rendered at the premises of the Restaurant, or otherwise rendered in connection with such restaurant or your use of the Marks, including monies derived from sales at or away from the restaurant, whether for cash or credit, but excluding (1) all federal, state or municipal sales or service taxes collected from customers and paid to the appropriate taxing authorities; and (2) all customer refunds and adjustments and promotional discounts made by the restaurant.

The term "Lion's Choice Accounting Standards" means the accounting, audit and tax standards, methods, practices and procedures as may be established from time to time by us, in our sole discretion, with respect to, among other things, the maintenance of books and records, and the preparation and presentation of financial information and financial statements, but which shall not be materially inconsistent with generally accepted accounting principles and which are utilized by us in connection with our Lion's Choice restaurants. In absence of any particular standard, method, practice or procedure established by us, the term "LC Franchisor Standards" shall refer to generally accepted accounting principles.

Note 3: You must spend for locally advertising and promoting your Restaurant at least such amounts as we establish from time to time, not to exceed five percent (5%) of Net Sales during each of our fiscal years. Qualifying expenditures include (a) amounts contributed to the Brand Fund and to advertising associations and (b) amounts spent by you for various advertising media. You may be required to participate in an Advertising Association. Decisions of Advertising Associations are made by majority vote based on one vote per Restaurant. Accordingly, we may control the Advertising Association in certain areas where company-owned Restaurants constitute the majority. If we require you to contribute to an Advertising Association, either this year or in the future, we will credit your contribution toward your required LAF expenditure requirements. If we provide you or your Advertising Association ninety (90) days' notice of a special promotion, you must participate and also pay any special promotion advertising fees we assess. These fees will be in addition to your LAF requirements.

**AREA DEVELOPMENT AGREEMENT**

If you sign an Area Development Agreement, you should review both the above table of fees applicable to Franchise Agreements as well as the following table of fees:

| Type of fee | Amount | Due Date | Remarks (See Note 1) |
|---|---|---|---|
| Transfer fee | $7,500, plus costs, plus $7,500 for each Restaurant for which you have signed a Franchise Agreement. | Upon transferring the Area Development Agreement | |
| Attorneys' fees and other costs | Will vary under circumstances | As incurred | Payable if we prevail in any legal dispute with you. |
| Indemnification | Will vary under circumstances | As incurred | You must reimburse us if we incur any expense, including attorneys' fees and other costs, or are held liable for claims arising out of your breach of the Area Development Agreement or the development and operation of your Restaurants. |

Note 1: All fees are imposed by and payable to LC Franchisor. All fees are nonrefundable.

## ITEM 7
## ESTIMATED INITIAL INVESTMENT YOUR ESTIMATED INITIAL INVESTMENT

**Franchise Agreement.**

The following chart provides an estimate of your initial investment for a Lion's Choice restaurant located in a non-urban market:

| CATEGORY | ACTUAL OR ESTIMATED AMOUNT | METHOD OF PAYMENT | WHEN DUE | TO WHOM PAID |
|---|---|---|---|---|
| Franchise Fee (See Note 1) | $30,000 | Lump Sum | On signing the Franchise Agreement | LC Franchisor |
| Real Property (See Note 2) | (See Note 2) | (See Note 2) | (See Note 2) | (See Note 2) |
| Leasehold Improvements (See Note 2) | $650,000 to $1.075,000 | Lump Sum | As incurred before opening | Contractors |
| Fixtures, Furniture and Equipment | $370,000 to $415,000 | Lump Sum | Upon delivery before opening | Vendors |
| Supplies & Inventory (See Note 3) | $12,350 to $22,500 | Lump Sum | Upon delivery before opening | LC Franchisor, and other suppliers |
| Signage | $45,000 to $50,000 | Lump Sum | Upon delivery before opening | Suppliers |
| Three Month's Rent | $22,500 to $30,000 | | | |
| Security Deposit | (See Note 3) | | | |
| Grand Opening Advertising | $5,000 to $10,800 | | | |
| Training Expenses | $40,000 to $60,000 | | | |
| Miscellaneous Opening Costs | $2,350 to $4,200 | | | |
| Additional Funds (3 months) (See Note 4) | $100,000 - $150,000 | Lump Sum | As incurred before opening | Vendors, Suppliers, Employees, Utilities, Landlord, etc. |
| TOTAL | $1,277,200 to $1,847,500 (excluding real estate and related costs, and landlord allowances) | | | |

Note 1: We will apply five thousand dollars ($5,000) of the Development Fee paid under an Area Development Agreement toward the initial franchise fee for each Restaurant. (See Item 5)

Note 2: The total estimated initial investment does not include the cost of real estate. Lion's Choice restaurants are typically located in malls, strip centers and freestanding locations. The cost of purchasing or leasing and developing a site for a Lion's Choice restaurant will vary considerably depending on such factors as location, size and the local real estate market. You will need to purchase or lease a building of approximately 2,200 square feet to 2,450 square feet and pay the cost of site work and/or leasehold improvements. We are unable to estimate the cost of leasing the premises for a Lion's Choice restaurant or tenant improvements, as they vary considerably due to local market conditions, the particular location and the condition of the premises. However, commercial leases typically consist of base rent, triple net, sometimes with an allowance for tenant improvements. Leases may also require percentage rent.

Note 3: Proprietary Products must be purchased from Designated Suppliers (See Item 8). Other foods and beverage products may be purchased from our Approved Suppliers or other suppliers that we approve (See Item 8). Other items must meet our quality standards and/or be purchased from an approved supplier (See Item 8). The cost of purchasing point of purchase ("POP") materials, training materials and forms is estimated to range from Two Thousand, Three Hundred Fifty Dollars ($2,350) to Four Thousand, Five Hundred Dollars ($4,500). We estimate the cost of the opening food, paper, chemicals and uniforms orders to range from Ten Thousand Dollars ($10,000)] to [Eighteen Thousand Dollars ($18,000).

Note 4: This estimate includes working capital for the first three (3) months and includes general operating expenses, such as lease payments, inventory, payroll expenses, facility expenses, insurance, pest control, security, repairs and maintenance and complimentary sales and other costs. This estimate also includes your pre-opening expenses during the six months prior to opening and includes such items as professional fees, organizational expenses, utility deposits, and salaries and expenses during training of your Operating Partner (described in Item 15) and your other personnel whose training is required by the Franchise Agreement. Because you and/or your Operating Partner and your other personnel for your Restaurant, as well as personnel in management positions and personnel that will work in more than one Restaurant, are required to complete our training program prior to opening your first Restaurant (See Item 11), these expenses are included for your first Restaurant. Consequently, the additional funds necessary for your first Restaurant tend to be on the high end of the estimated range, while the additional funds required for subsequent Restaurants that you open will tend to fall on the lower end of the estimated range. These figures are estimates based on our experience in opening and operating company-owned Restaurants, and we cannot assure you that you will not have additional expenses in starting your Lion's Choice restaurant.

Except as otherwise noted, none of these payments are refundable. These payments are only estimates and your costs may be higher, depending on your particular circumstances. LC Franchisor relied on its experience on openings of company-owned Lion's Choice restaurants to compile these estimates. In geographical areas where we have no Lion's Choice restaurants or have no significant experience regarding openings of either company-owned Restaurants or Franchisee-owned Restaurants, the foregoing estimated initial investment may be less reliable and you may have to make a greater investment, depending on the circumstances. You should review these figures carefully with a business advisor, accountant or attorney before making any decision to purchase a franchise. We do not offer any financing for your initial investment or any other items. The availability and terms of financing with third-party lenders will depend on factors such as the availability of financing generally, your credit-worthiness and policies of lending institutions concerning the type of business to be operated.

If you purchase an existing company-owned Lion's Choice restaurant, you may have to make a greater or smaller investment, depending on the circumstances, than the estimated initial investment shown above. The price and terms of payment for such Lion's Choice restaurants will be established by mutual agreement.

If you sign an Area Development Agreement, you will be required to pay us a Development Fee (See Item 5) and also will need funds for working capital, in an estimated amount of one hundred twenty-five thousand dollars ($125,000), to pursue your development obligations. There is no other initial investment required upon execution of an Area Development Agreement. However, an initial investment will be required for each Lion's Choice restaurant at each location you open. Our current estimate of this investment is described above.

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## ITEM 8
## RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

**Generally.**

To ensure that high and uniform standards of quality and service are maintained, you must operate your Lion's Choice restaurant in strict conformity with our methods, standards and specifications and, as described below, you must purchase ingredients, goods, services, supplies, fixtures, equipment and inventory only from suppliers we have approved.

**Proprietary Products and Other Food Products.**

Your Lion's Choice restaurant must use and/or offer for sale only food products, beverages, ingredients, merchandise, uniforms, packaging materials, POP materials, smallwares, menus, forms, labels and other supplies and other products and services, including third-party food delivery services, that conform to our specifications and quality standards and/or are purchased from suppliers we have approved (which may include us or any of our Affiliates). The list of brands and suppliers are contained in our LC Franchisor Policy Manual, and we may modify that list from time to time in our sole discretion. After notice of a modification, you may not order or reorder any brand or reorder from any supplier that is no longer approved.

If you propose to use any brand and/or supplier that is not then approved by us, you must first notify us and submit sufficient information, specifications and samples concerning the brand and/or supplier so that we can decide whether the brand complies with our specifications and standards and/or such supplier meets our approved supplier criteria. We have the right to charge reasonable fees to cover our costs. We will notify you of our decision within a reasonable period of time typically within 30 days. We have the right to monitor the quality of services provided by suppliers in a manner we deem appropriate and may terminate any supplier who does not meet our quality standards and specifications, as may be in effect from time to time. We may prescribe procedures for the submission of requests for approval and impose obligations on suppliers, which we may require to be incorporated in a written agreement. We may impose limits on the number of suppliers and/or brands for any of the foregoing items.

Notwithstanding the foregoing, you must purchase Proprietary Products exclusively from suppliers we designate (which may include us and our Affiliates), and you acknowledge you have no right to propose alternative suppliers or to purchase Proprietary Products from any source other than our designated suppliers. "Proprietary Products" include food and beverage products that we, from time to time, deem proprietary or otherwise require to be purchased exclusively from one or more supplies we designate (which may include us and our affiliates), such as beef, sauces and seasoning.

We formulate and modify, at our sole discretion, specifications and standards we impose on franchisees and suppliers. Specifications and standards are issued to franchisees through the LC Franchisor Policy Manual and to suppliers by written agreement. Approved and designated suppliers are identified in the Policy Manual.

**Items We Supply or Derive Revenue From.**

As of the date of this Disclosure Document, neither LC Franchisor, nor any of its affiliates act as a Designated Supplier of Proprietary Products, nor an approved supplier of any other items. As such, in the fiscal year ending December 25, 2021, revenues of LC Franchisor from the sale to franchisees of various required items was $0 or 0% of its total revenues of $34,873,777. The cost of Proprietary Products and other products purchased from Designated Suppliers represents a de minimis (i.e., less than 1%) portion of your total purchases and leases in connection with the establishment of your Lion's Choice restaurant, and approximately thirty-eight percent (38%) of your total expenses in connection with the continuing operation of your Lion's Choice restaurant.

Except as may be noted above, we do not negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees. There are no purchasing or distribution cooperatives. We do not provide material benefits to a franchisee based on a franchisee's purchase of particular products on services or use of particular suppliers.

During our last fiscal year, we received rebates from various third party suppliers of purchases by us and our franchisees that are based on gallonage of fountain drinks, cases of products purchased and annual amounts, with some rebates paid directly from the vendor to the franchisee. Rebates paid directly to us are generally remitted to franchisees or used for marketing (as per vendor requirements). Otherwise, neither we nor any of our Affiliates derives revenues or other material consideration as a result of your purchases from other suppliers.

None of our officers own an interest in any privately-held suppliers, or a material interest in any publicly-held suppliers of our franchise system. From time to time, our officers may own non-material interests in publicly-held companies that are suppliers to our franchise system.

**Specifications, Standards and Procedures.**

Each aspect of the interior and exterior appearance, layout, decor, services and operation of your Restaurant is subject to our specifications and standards. You must comply with all mandatory specifications, standards and operating procedures (whether contained in the LC Franchisor Policy Manual or any other written communication) relating to the appearance, function, cleanliness and operation of a Lion's Choice restaurant. You must periodically re-equip, upgrade and/or remodel your Restaurant pursuant to our plans and specifications, including equipment and production enhancements, provided, however, that, with the exception of signage, equipment and production enhancements, we will not require substantial remodeling more often than every seven (7) years during the Term.

**Real Estate Requirements.**

If you, one of your Owners, or one of your Affiliates at any time owns the premises for your Restaurant, you must immediately notify us and we may require that you or such Owner or Affiliate (1) enter into an agreement with us in recordable form granting us the right and option, in the event of a termination (for whatever reason) of the Franchise Agreement, to lease the premises at fair market rental rates for a term coterminous (in absence of an early termination) with the term of the Franchise Agreement (with an option to extend for 10 years) for such premises; or (2) enter into a prime lease with us at fair market rental rates for a term coterminous with the term of the Franchise Agreement (with an option to extend for 10 years) for such premises and a sublease with us on the same terms as the prime lease. The prime lease and sublease referenced in the preceding sentence shall be on the then-current lease and sublease forms used by us.

**Website.**

You may not promote, offer or sell any products or services relating to your Restaurant, or use any of the Marks, through the Internet without our consent. In connection with any such consent, we may grant you the right to promote and market your Restaurants over the Internet through one (1) website ("Authorized Website") that meets all of our standards and requirements as we may establish and modify from time to time. The website shall be identified by a domain name which shall be designated and owned by us ("Authorized Domain Name"). As of the date of this Disclosure Document, such standards and requirements include (a) obtaining our prior written approval of any Internet domain name and home page addresses; (b) assignment to us of any Internet domain name(s) you have registered in connection with the development, ownership or operation of your Restaurant; (c) submission for our approval of all website pages, materials and content; (d) obtaining our prior written approval for use of all hyperlinks and other links; (e) restrictions on use of any materials (including text, video clips, photographs, images, sound bites and the like) in which any third party has any ownership interest; and (f) obtaining our prior written approval of any modifications to the website. We may terminate your right to use the Authorized Domain Name, for any reason or no reason, which termination shall be effective immediately upon written notice to you.

**Credit Cards.**

It is your responsibility to maintain and report your PCI compliance, which encompasses operational policies and practices as well as networks and POS systems hardware/software used to process credit card transactions, as well as attesting that you are abiding by (i) the PCI Data Security Standards enacted by the applicable Card Associations (as they may be modified from time to time or as successor standards are adopted); and (ii) all other security standards and guidelines that may be published from time to time by payment card companies and/or enacted by law, and are applicable to customer credit card and debit card information. If you know or suspect a security breach, you must immediately notify both your credit card transaction acquirer and LC Franchisor. You assume all responsibility for providing notice of breach or compromise, along with duties and costs associated with fraudulent transactions, penalties, and ongoing fees for monitoring customer credit card histories and/or transactions for affected customers of your Restaurant.

**Insurance.**

You must maintain in force: (a) commercial general and product liability insurance; (b) all risk property insurance, including fire and extended coverage, vandalism and malicious mischief insurance, for the replacement value of your Lion's Choice restaurant and its contents; (c) commercial auto liability insurance; (d) statutory workers' compensation/employer's liability insurance; and (e) such other insurance policies as we may determine from time to time. All insurance policies must: (1) be issued by carriers approved by us; (2) contain such types and minimum amounts of coverage, exclusions and maximum deductibles as we prescribe from time to time; (3) name us and our Affiliates as additional insureds; (4) provide for thirty (30) days' prior written notice to us of any material modification, cancellation or expiration of such policy; (5) include a waiver of subrogation; and (6) include such other provisions as we may require from time to time. Your insurance must apply on a primary and non-contributory basis.

Set forth below are the current types and minimum coverage amounts that we require for each franchised Lion's Choice Restaurant per location:

COMMERCIAL GENERAL LIABILITY:

| | |
|---|---|
| General Aggregate Limit: | $2,000,000 |
| Products/Completed Operations Aggregate Limit: | $2,000,000 |
| Personal and Advertising Injury Limit: | $1,000,000 |
| Damage to Premises Rented to You: | $1,000,000 |
| Bodily Injury and Property Damage | |

| | |
|---|---|
| Per Occurrence Limit: | $1,000,000 |

AUTOMOBILE LIABILITY: Bodily Injury and Property Damage

| | |
|---|---|
| Combined Single Limit: | $1,000,000 |
| Hired and Non-Owned Liability Limit: | $1,000,000 |

WORKERS' COMPENSATION:

| | |
|---|---|
| Workers' Compensation: | STATUTORY |
| Employer's Liability: | $500,000 per employee, bodily injury by disease |

$500,000 policy limit, bodily injury by disease
$500,000 per employee, bodily injury by accident

UMBRELLA LIABILITY

| | |
|---|---|
| 1 to 10 Restaurants: | $10,000,000 each occurrence (minimum)<br>$10,000,000 aggregate (minimum) |

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## ITEM 9
## FRANCHISEE'S OBLIGATIONS

**THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS DISCLOSURE DOCUMENT.**

| Obligation | | Section in Agreement | Item in Disclosure Document |
|---|---|---|---|
| a. | Site selection and acquisition/lease | Sections 3.01 and 3.02 of Franchise Agreement and Area Development Agreement | Items 7, 8 and 11 |
| b. | Pre-opening purchases/leases | Sections 3.03, 3.04 and 3.05 of Franchise Agreement | Items 6, 7, 8 and 11 |
| c. | Site development and other pre-opening requirements | Sections 3.03, 3.04 and 3.05 of Franchise Agreement | Items 6, 7, 8 and 11 |
| d. | Initial and ongoing training | Section 4 of Franchise Agreement | Item 11 |
| e. | Opening | Section 3.03 of Franchise Agreement | Item 11 |
| f. | Fees | Sections 6 and 10 of Franchise Agreement; Sections 2.01 and 3.04 of the Area Development Agreement | Items 5, 6, 7 and 11 |
| g. | Compliance with standards and policies/LC Franchisor Policy Manual | Sections 4.03 and 9 of Franchise Agreement | Items 8 and 11 |
| h. | Trademarks and proprietary information | Sections 5, 7.01 and 7.03 of Franchise Agreement; Sections 5.03, 6.01 and 6.03 of the Area Development Agreement | Items 13 and 14 |
| i. | Restrictions on products/services offered | Section 9 of Franchise Agreement | Item 16 |
| j. | Warranty and customer service requirements | N/A | N/A |
| k. | Territorial development and sales quotas | Sections 2.02 and 2.03 of the Area Development Agreement | Item 11 |

| Obligation | | Section in Agreement | Item in Disclosure Document |
|---|---|---|---|
| l. | Ongoing product/service purchases | Sections 9.03, 9.04 and 9.05 of Franchise Agreement | Item 8 |
| m. | Maintenance, appearance and remodeling requirements | Sections 9.01, 9.02 and 9.05 of Franchise Agreement | Item 8 |
| n. | Insurance | Section 9.07 of Franchise Agreement | Item 8 |
| o. | Marketing and Advertising | Section 10 of Franchise Agreement | Items 6, 7, 8 and 11 |
| p. | Indemnification | Section 17.02 of Franchise Agreement; Section 5.02 of the Area Development Agreement | Item 6 |
| q. | Owner's participation, management and staffing | Sections 8 and 9.07 of Franchise Agreement; Section 4.03 of the Area Development Agreement | Item 15 |
| r. | Records and reports | Section 11 of Franchise Agreement; Section 3.05 of the Area Development Agreement | See Note 1 below |
| s. | Inspections and audits | Section 12 of Franchise Agreement | Item 6 |
| t. | Transfer | Section 13 of Franchise Agreement; Section 7 of the Area Development Agreement | Items 6 and 17 |
| u. | Renewal | Section 15 of Franchise Agreement | Items 6 and 17 |
| v. | Post-termination obligations | Section 16 of Franchise Agreement; Section 9 of the Area Development Agreement | Item 17 |
| w. | Non-competition covenants | Section 7.02, 13.02 and 16.03 of Franchise Agreement; Sections 6.02, 7.02 and 9.02 of the Area Development Agreement | Item 17 |
| x. | Dispute resolution | Section 18 of Franchise Agreement; Section 10 of the Area Development Agreement | Item 17 |

Note 1: You are required to prepare and to maintain for three (3) years, or such longer time as required by applicable law, complete and accurate books, records and accounts for your Restaurant, copies of your sales tax returns and such portions of your state and federal income tax returns as relate to your Restaurant. You must furnish us such periodic reports and other reports and information as we may require from time to time. In addition to periodic sales reports, financial reports, and such other information as we request from time to time, you must provide us with a business plan, which shall include such information as we require, including but not limited to, your short and long term goals related to your mission statement, sales building, customer satisfaction, operations, quality of service, staffing, training certification, human resources, marketing, development and initiatives. The annual business plan must cover all Restaurants owned or operated by you and any of your Affiliates.

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## ITEM 10
## FINANCING

We do not offer direct or indirect financing to franchisees.  We do not guarantee your notes, leases or other obligations.

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## ITEM 11
## FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as listed below, we need not provide any assistance to you.

**Pre-Opening Obligations.**

We will provide the following pre-opening assistance:

1. We will provide area developers general guidance in selecting sites. (Area Development Agreement, Section 3.01).

2. We will provide you with prototype plans and specifications for your Lion's Choice restaurant. We will also provide guidance to you in developing your Lion's Choice restaurant. (Franchise Agreement, Section 3.03).

3. We will provide training to you and/or your Operating Partner and all of your personnel. However, you will be responsible for all compensation and expenses (including training materials, travel, meals and lodging) incurred in connection with any training programs. This training is described in detail later in this Item. (Franchise Agreement, Section 4.01).

4. We will provide to you with the Policy Manual, either by providing you with confidential hard copy or electronic materials or providing you access to proprietary online resources, which contains information on training, management, quality assurance, health, safety, recruitment, security, site selection, site approval processes, standards, customer services, approved suppliers, operating system manuals, training manuals, and management training manuals. (Franchise Agreement, Section 4.03). The table of contents of the manual is attached to this Disclosure Document as Exhibit C. The Policy Manual is revised periodically.

5. If you have not previously owned or managed a Lion's Choice restaurant, we will provide you with opening operational assistance for your first Lion's Choice restaurant (Franchise Agreement, Section 3.05).

**Continuing Obligations.**

We will provide the following assistance during the operation of your Lion's Choice restaurant:

1. We will provide periodic guidance to you with regard to the System, including improvements and changes. (Franchise Agreement, Section 4.02);

2. We will periodically modify the LC Franchisor Policy Manual to reflect changes in standards, specifications and operating procedures. (Franchise Agreement, Section 4.03);

3. We will periodically issue specifications, standards, methods and operating procedures for Lion's Choice restaurants. (Franchise Agreement, Section 9);

4. We, at our discretion, may administer marketing and advertising funds for the development of advertising and related programs and materials. (Franchise Agreement, Section 10);

5. We will provide periodic and on-going training programs for you and/or your Operating Partner (See Item 15) and your other personnel. However, as described in Item 6, you will be responsible for all compensation and expenses (including travel, meals and lodging) incurred in connection with any training programs. This training is described in detail later in this Item. (Franchise Agreement, Section 4.01);

6. We, at your request or at our discretion, may provide you with guidance for establishing your own certified training programs for certain personnel. (Franchise Agreement, Section 4.04); and

7. We may offer guidance to you relating to prices for products and services offered and sold at your Restaurant that in our judgment constitute good business practice. You will not enter into any agreement or arrangement or engage in any concerted practice with competitors relating to prices at which products or services will be sold by you or by such competitors. (Franchise Agreement, Section 9.11).

**Site Selection.**

You select the site for your Lion's Choice restaurant, subject to our acceptance. If we do not accept a site you propose, you may select another site, subject to our acceptance. If you enter into an Area Development Agreement with us, you must select sites within your specified geographic area as set forth in your Area Development Agreement. We will provide you with our standard site selection criteria and/or on-site evaluations of sites, as we deem appropriate.

Before you acquire, by lease or purchase, any site for a Lion's Choice restaurant, you must submit a complete site information package to us. We will review each site information package and determine whether to accept or reject the site after considering factors we deem appropriate, including, without limitation, the general location and neighborhood, demographic information, traffic patterns, access, visibility, location of other restaurants and food establishments, size, configuration, appearance and other physical characteristics of the site. If we accept the site, we will deliver to you a signed Site Acceptance Letter. We will use reasonable efforts to make a site acceptance decision within thirty (30) days after we acknowledge receipt of a complete Site Information Package and any other materials we have requested. (Area Development Agreement, Section 3.02).

Neither our acceptance of the premises nor any information communicated to you regarding our standard site selection criteria for Lion's Choice restaurants or the specific location of the premises will constitute a warranty or representation of any kind, express or implied, as to the suitability of the site for a Lion's Choice restaurant. Our acceptance of the proposed site merely signifies that we are willing to grant a franchise for a Lion's Choice restaurant at the site. Your Lion's Choice restaurant may not be relocated without first obtaining our written consent. Requests for our consent to any relocation should be made at least six (6) months prior to the intended closing date for the Restaurant to be relocated and identify a proposed relocation site. As part of the approval process, you will also be required to submit to us additional information that we may request relating to the proposed relocation, including the specific reasons for the relocation and details regarding the proposed relocation site. You will be required to pay a relocation fee of Seven Thousand Five Hundred Dollars ($7,500.00) to defray some of LC Franchisor's administrative costs related to the closing of a Restaurant and relocating it to another location. (Franchise Agreement Section 6.03)

We estimate the time from the date you sign the Franchise Agreement to the date you open your Lion's Choice restaurant to be between nine (9) and eighteen (18) months. However, this time estimate may vary depending on numerous factors including location, construction schedules and financing.

Under the Franchise Agreement, you must lease or purchase the premises for your LC Franchisor Restaurant within one hundred eighty (180) days after the date of our Site Acceptance Letter; must start construction of your Lion's Choice restaurant within sixty (60) days after the later of (a) delivery to you of the right of possession of the premises and (b) issuance of all permits and licenses required for construction and/or renovation of the premises; and finally, you must complete construction of your Lion's Choice restaurant within one hundred eighty (180) days after the start of construction and open your Restaurant fourteen (14) days thereafter. (Franchise Agreement, Sections 3.02 and 3.03.)

**Training.**

Before opening your Lion's Choice restaurant, your Operating Partner (described in Item 15) and all Restaurant general managers, and assistant managers who have not previously graduated from our certified training programs must successfully complete the appropriate training program.

Your Operating Partner must complete both classroom (in person or remote through e-learning) and hands-on training covering all phases of Restaurant operations, including food preparation, equipment operation and maintenance, cost control and inventory control. As of the date of this Disclosure Document, Training is a six (6) to eight (8) week program. Training consists of both classroom training hands-on training, and trainees will be tested both for knowledge and observed for use of proper standards and procedures. Both restaurant and classroom training are conducted on an as needed basis.

As of the date of this Disclosure Document, training programs are under the direction of Rebecca Shuh (corporate training manager). Various members of our staff and restaurant management personnel who have experience in the operation of Lion's Choice restaurants conduct the training classes. Instructional materials include new manager training books, team member training books, digital training, SPEC book, station guides and executive guides.

We will not charge any fees for attending the training programs. However, you will be responsible for all compensation and expenses (including travel, meals and lodging) incurred in connection with any training programs. Neither you nor your employees will receive any compensation from us for services performed during training.

Instructional materials for the training programs, the subjects covered in training, approximate hours of classroom and on-the-job training, the instructors and the training locations are described below:

**MANAGEMENT TRAINING**

| SUBJECT | HOURS OF CLASSROOM TRAINING | HOURS OF ON THE JOB TRAINING | LOCATION |
|---|---|---|---|
| Orientation | | 2 | Designated restaurant of our choosing |
| Product Orientation | | 24 | Designated restaurant of our choosing |
| Beef Cooking/Planning | | 42 | Designated restaurant of our choosing |
| Genuinely Friendly Guest Service Training | | 2 | Designated restaurant of our choosing |
| E-Learning Courses (Paylocity | | 4 | Designated restaurant of our choosing |
| Supervision/Administration | | 42 | Designated restaurant of our choosing |

| SUBJECT | HOURS OF CLASSROOM TRAINING | HOURS OF ON THE JOB TRAINING | LOCATION |
|---|---|---|---|
| Train the Trainer Developments | | 24 | Designated restaurant of our choosing |

In addition to the training program, we may require you and/or your Operating Partner and other personnel for your Restaurant to attend and successfully complete periodic or additional training programs. We may at our sole discretion require, or allow, you to establish a certified training program (that must continue to meet our high standards) for some or all of your personnel.

**Advertising.**

**National Advertising Fund.**

We have the right to establish a Brand Fund for the creation and development of marketing, advertising and related programs and materials, including electronic, print and Internet media as well as the planning and purchasing of national and/or regional network advertising. As of the date of this Disclosure Document, no Brand Fund has been established. If and when established, you will be required to contribute to the Brand Fund amounts that we determine from time to time as described in Item 6. We reserve the right to collect annual contributions to the Brand Fund at any time of the year and may do so retroactively for periods of the calendar year that have already lapsed (if we change the contribution rate anytime during the year). At our discretion, the funds may be electronically drafted. All company-owned Restaurants will contribute the same percentage to the Brand Fund. The Brand Fund will not spend any money on advertising that is principally a solicitation for the sale of new franchises.

The Brand Fund will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs, travel expenses, and overhead as we may incur in activities related to the administration of the Brand Fund and its programs, including with respect to collecting and accounting for contributions to the Brand Fund. All disbursements from the Brand Fund shall be made first from income and then from contributions. While our intent is to balance the Brand Fund on an annual basis, from time to time the Brand Fund may run at either a surplus or deficit. All disbursements from the Brand Fund shall be made first from income and then from contributions. We may spend in any fiscal year an amount greater or less than the aggregate contributions of all Lion's Choice restaurants to the Brand Fund in that year, and the Brand Fund may borrow from us or other lenders to cover deficits in the Brand Fund or cause the Brand Fund to invest any surplus for future use by the Brand Fund. We will prepare annually a statement of funds collected and costs incurred by the Brand Fund and furnish you a copy upon your written request. Except as otherwise expressly provided in the Franchise Agreement, we assume no direct or indirect liability or obligation with respect to the maintenance, direction or administration of the Brand Fund. We do not act as a trustee or in any other fiduciary capacity with respect to the Brand Fund.

We will have sole discretion over all aspects of programs financed by the Brand Fund, including national or regional media, creative concepts, materials, endorsements and agency relationships. Although the Brand Fund is intended to maximize general recognition of the Marks and patronage of the Lion's Choice restaurants for the benefit of all Lion's Choice restaurants, we cannot assure you that any particular Lion's Choice restaurant will benefit directly or pro-rata from the placement of advertising. The Brand Fund may be used to pay for the cost of preparing and producing materials and programs we select, including agency fees, market research and product testing, video, audio, electronic and written advertising materials, public relations programs, media planning and buying services and the cost of employing advertising agencies and supporting market research activities. We may furnish you with marketing, advertising and promotional materials at cost, plus any related administrative, shipping, handling and storage charges.

We will seek the advice of owners of Lion's Choice restaurants by formal or informal means with respect to the creative concepts and media used for programs financed by the Brand Fund. At our discretion, we may establish a marketing advisory council with members appointed by us. The council will serve only in an advisory capacity. The final authority on all programs funded by the Brand Fund will rest with us, and we will have sole discretion over all aspects of such programs, including national or regional media, creative concepts, materials, endorsements, agencies and suppliers. We will have the right to change or dissolve the council. As of the date of this Disclosure document, no advertising council has been established.

**Local Advertising Funds.**

You must spend for locally advertising and promoting your Restaurant at least such amounts as we establish from time to time, not to exceed five (5) percent (5.0%) of Net Sales during each of our fiscal years. The amount spent on local advertising and promotion will be designated as "Local Advertising Requirements" or "LARs." At our request, you shall furnish us with copies of invoices and other documentation evidencing your compliance with Section 10.02 of the Franchise Agreement. We shall provide you with not less than thirty (30) days' notice of any determination by us to change the minimum amount of the LAR you must spend. If we determine that you have spent an amount less than our prescribed minimum amount of Net Sales during any fiscal year for locally advertising and promoting your Restaurant, we may collect LAR contributions directly from you, with such contributions payable on the first business day following each Reporting Period together with the Royalty Fees due hereunder. The LAR monies will be used to pay for the cost of implementing local marketing plans developed by you and approved by us or, if we collect LAR contributions from you, to reimburse you (up to an amount not to exceed the LAR contributions so collected) for the costs incurred by you in implementing local marketing plans developed by you and approved by us. For these purposes, qualifying LAR expenditures include: (a) amounts contributed to the Brand Fund and to advertising associations established pursuant to Section 10.04 of the Franchise Agreement and described below; and (b) amounts spent by you for advertising media, such as television, radio, Internet, newspaper, billboards, posters, direct mail, collateral and promotional items, advertising on public vehicles (transit and aerial) and, if not provided by us, the cost of producing approved materials necessary to participate in these media. Non-qualifying LAR advertising expenditures include amounts spent for items which we, in our reasonable judgment, deem inappropriate for meeting the minimum advertising requirement, including permanent on-premises signs and menu board hardware, lighting, administrative costs, discounts/coupon offers, free offers and employee incentive programs. We may supplement the list of qualifying and non-qualifying LAR expenditures from time to time and revise such list periodically.

**Advertising Approvals and Initial Advertising Costs.**

You must submit to us for our prior approval, a marketing plan and samples of all advertising and promotional materials not prepared or previously approved by us and which vary from our standard advertising and promotional materials by following the procedures that are in place at the time of submittal. If you elect to work with a marketing firm (including an advertising agency or public relations firm), you must obtain our written approval of such marketing firm and such marketing firm must execute a confidentiality agreement approved by us before you sign any contracts or share any Confidential Information with such marketing firm. Such marketing firms or agencies shall not under any circumstances be given access to any of our proprietary information or any other information we deem inappropriate. You may not use any advertising or promotional materials that we have not approved.

In addition to your LAR expenditures, you agree to spend a minimum of Ten Thousand Dollars ($10,000.00) for grand opening advertising and promotional programs for your Restaurant pursuant to a grand opening marketing plan developed by us or developed by you and approved by us prior to implementation. You must use the types of advertising media specified in Section 10.02 of the Franchise Agreement and described above, and your grand opening program must be executed within ninety (90) days after your Restaurant commences operation.

**Wholesale Gift Card Program.**

We participate in one or more wholesale gift card programs pursuant to which a third party vendor sells gift cards through various distribution channels. As part of this program, when these gift cards are redeemed at both company-owned and Franchisee-owned Restaurants, the owner of such Restaurant receives less than the full purchase value of such transaction.

**Social Media Sites.**

We may maintain one or more social media sites (e.g., Twitter, Facebook, Instagram, Pinterest, Four Square, MySpaces or such other social media sites). You may not establish or maintain any social media sites utilizing any user names, or otherwise associating with the Marks, without our advance written consent. We may designate from time to time regional or territory-specific user names/handles to be maintained by you. To the degree we establish a social media policy, you must adhere to the social media policies that we establish from time to time and you will require all of your owners to do so as well.

**Advertising Associations.**

We have the right, at our sole discretion, to establish or approve local and/or regional advertising associations for Lion's Choice Restaurants in your local or regional areas, covering such geographic areas as we may designate from time to time. You must participate in any such association and its programs and abide by its by-laws. If your Restaurant is within the territory of an existing association at the time your Restaurant opens for business, you agree to immediately become a member of the association. If an association applicable to your Restaurant is established during the term of this Agreement, you agree to become a member no later than thirty (30) days after the date approved by us for the association to commence operation. The following provisions shall apply to each association:

(a) Each association shall utilize a voting system of one vote per one eligible Lion's Choice Restaurant.

(b) Each association shall be organized and governed in a form and manner, and shall commence operations on a date, approved in advance by us in writing. No changes in the by-laws or other governing documents of an association shall be made without our prior written consent.

(c) Each association shall be organized for the exclusive purpose of administering advertising programs and developing, subject to our approval, promotional materials for use by the members in the association.

(d) No advertising or promotional plans or materials may be used by an association or furnished to its members without prior approval by us pursuant to Section 10.04(f) of the Franchise Agreement, described below.

(e) You and each other member of the association shall contribute to the association, using a collection structure selected and established by us, the amount determined in accordance with the association's by-laws. Any Lion's Choice Restaurants owned by us or any of our Affiliates located in such designated local or regional area(s) will contribute to the association on the same basis. Contributions to such local and/or regional advertising associations are credited towards the advertising expenditures required by Section 10.02 of the Franchise Agreement; however, if we provide you and your association ninety (90) days' notice of a special promotion, including any regional promotions, you must participate in such promotion and pay to us and/or the association any special promotion advertising fees assessed in connection therewith, beginning on the effective date of such notice and continuing until such special promotion is concluded. Any such special promotion advertising fees shall be in addition to, and not credited towards, the five percent (5%) advertising expenditure required by Section 10.02 of the Franchise Agreement.

(f) All advertising and promotion by you and any associations established hereunder shall be in such media and of such type and format as we may approve, shall be conducted in a dignified manner and shall conform to such standards and requirements as we may specify. You or the association shall submit written samples of all proposed advertising and promotional plans and materials to us for our approval (except with respect to prices to be charged) at least thirty (30) days before their intended use, unless such plans and materials were prepared by us or have been approved by us within the previous twelve (12) months. Proposed advertising plans or materials shall be deemed to have been approved if they have not been disapproved by us within fifteen (15) days after their receipt by us.

(g) At our request, you shall furnish us with copies of such information and documentation evidencing your association contributions as we may require in order to evidence your compliance with Section 10.02 of the Franchise Agreement.

**Computer Hardware and Software.**

You are required to record all sales on a computer-based POS system that is capable of facilitating a fully integrated sales data information interface into our centralized computer system. You agree to purchase or lease, at your expense, POS/Computer hardware and software systems and install a data connection, power lines, modems, printers and other computer-related accessories and peripherals as may be required for a standard interface, for the purpose of, among other functions, the recording and transmission of information collected through the POS system (including gross sales, Net Sales, discounts, product mix) to centralized data collection systems.

We may require you to use proprietary software and other computer systems which we may prescribe from time to time, and you agree to promptly execute such agreements and/or pay such fees as may be required to integrate enterprise tools and procedures. As of the date of this Disclosure Document, we require franchisees to purchase a PAR Brink POS system with associated hardware from an approved supplier. The initial cost is approximately $30,000 (4 registers, 3 kitchen screens and basic drive-thru order confirmation systems). Currently, the cost of support, maintenance, upgrades and updates is $2,580 per year. The estimated cost of purchasing hardware and software and associated training is described in Item 7.

You must provide such assistance as may be required from time to time to ensure connectivity between your POS computer system with our computer systems. We shall have the right from time to time to retrieve such data and information from your computer system as deemed necessary or desirable, and you agree to fully cooperate with such efforts. In view of the contemplated interconnection of computer systems and the necessity that such systems be compatible with each other, you agree that you will comply strictly with all defined standards and specifications for items associated with your computer systems.

To ensure operational efficiency and optimum communication capability among computer systems installed at Lion's Choice restaurants, you agree, at your expense, to keep your computer systems in good maintenance and repair, and to promptly install such upgrades, additions, changes, modifications, substitutions and/or replacements of hardware, software, data connectivity, electrical power, and other computer-related facilities, as we direct. You acknowledge that information technology is constantly changing and that the technology the parties contemplate using as of the date of this Agreement may change during the Term. Accordingly, you agree to implement at your Restaurant such changes to your information technology as we may require from time to time to maintain competitive and state-of-the-art operations during the Term.

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## ITEM 12
## TERRITORY

**Franchise Agreement.**

The Franchise Agreement grants to you the right to own and operate a Lion's Choice restaurant at a specific location. You may not conduct the business of your Lion's Choice restaurant at any site other than the Premises, described in your Franchise Agreement, or relocate your Lion's Choice restaurant without our prior written consent. The Franchise Agreement does not provide you with any options, rights of first refusal or similar rights to acquire additional franchises.

Except as noted in this Item 12, we will not operate a Lion's Choice restaurant or grant to a third party the right to operate a Lion's Choice restaurant within a geographic area (the "Protected Area") consisting of a one (1) mile radius from the center of the Premises, unless the parties have identified a different Protected Area in the Site Acceptance Letter.

Notwithstanding the territorial protection provided in the Protected Area, we have the right to operate (directly or through an Affiliate) and grant to others the right to operate within the Protected Area:

(a) Lion's Choice restaurants or other retail food establishments (including restaurants) using any part or all of the System and Marks that are located at transportation facilities (such as airport facilities, inter-MSA train and/or bus stations, turnpikes or other limited access highway rest stops), hospitals, colleges, universities, sports arenas, military facilities and entertainment facilities, or where any locations or its food operations are controlled by a third party or in our judgment should be operated by a third party; and

(b) retail food establishments (including restaurants) that we purchase (or as to which we purchase the rights as franchisor) that are part of another franchise system or chain, regardless whether any or all of them are converted to use any or all of the Marks and the System or continue to be operated independently.

We have no obligation to compensate you for our soliciting or accepting orders from within your Protected Area.

We reserve all rights not expressly granted under the Franchise Agreement. Accordingly, except for rights expressly granted to you under the Franchise Agreement, we retain all of our rights and discretion with respect to the Marks, the System and Lion's Choice restaurants anywhere in the world, including the right to:

(a) operate, and grant others the right to operate, Lion's Choice restaurants at locations and on terms and conditions we deem appropriate (you acknowledge that such Lion's Choice restaurants may be in direct competition with your Restaurant, without regard to any adverse effects of such activities on your Restaurant and without any obligation or liability to you);

(b) sell any products or services under any tradenames, trademarks, service marks or trade dress, including the Marks, through other channels of distribution (including but not limited to wholesale distribution of food products to restaurants, supermarkets, grocery stores, caterers and other outlets and using such media as deemed appropriate including the Internet, catalog sales, telemarketing or other direct marketing); and

(c) operate, and grant to others the right to operate, retail food establishments (including restaurants) identified by trademarks, service marks or trade dress, other than the Marks, under terms and conditions we deem appropriate.

Except as noted above, we do not grant exclusivity. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, and from other channels of distribution or competitive brands that we control. Continuation of your rights to the Protected Area is not dependent upon your achievement of a certain sales volume, market penetration or other contingency. After the Franchise Agreement has been executed, we may not alter the Protected Area without your consent. You may not, without our prior written consent, use other channels of distribution, such as the Internet, catalog sales, telemarketing or other direct marketing, to make sales outside the Protected Area.

**Area Development Agreement.**

The Area Development Agreement grants you the right to develop an agreed upon number of Lion's Choice restaurants within a geographic area described in Exhibit A to the Area Development Agreement (the "Development Area"). The size of the Development Area will depend on the number of Lion's Choice restaurants suitable for the Development Area, as you and we determine in light of factors such as population density and the residential or commercial character of the Development Area. The number of Lion's Choice restaurants and the dates they are to be open and operating will be set out in Exhibit A to the Area Development Agreement (the "Development Schedule"). The Area Development Agreement does not provide you with any options, rights of first refusal or similar rights to acquire or develop additional Lion's Choice restaurants in the Development Area or in any other geographic area. You may not develop a Lion's Choice restaurant within one (1) mile of another Lion's Choice restaurant (which is either open or operating or has been approved by us for development) located in a geographic area not included in your Area Development Agreement.

During the term of the Area Development Agreement and provided you, your Owners and your Affiliates are in compliance with the Area Development Agreement and all other agreements with us or any of our Affiliates (including Franchise Agreements signed under the Area Development Agreement), we will: (a) grant to you, in accordance with Section 3 of the Area Development Agreement, that cumulative number of franchises for Lion's Choice restaurants in Exhibit A to the Area Development Agreement, all of which are to be located within the Development Area; and (b) not operate (directly or through an affiliate), nor grant others the right to operate, any Lion's Choice restaurant located within the Development Area, except for: (1) franchises granted under the Area Development Agreement; (2) Lion's Choice restaurants open (or under commitment to open) as of the date of the Area Development Agreement; (3) Lion's Choice restaurants or other retail food establishments using any part or all of the System and/or Marks that are located at transportation facilities (such as airport facilities, inter-MSA train and/or bus stations, turnpikes or other limited access highway rest stops), hospitals, colleges, universities, sports arenas, military facilities and entertainment facilities, or where any locations or its food operations are controlled by a third party or in our judgment should be operated by a third party; and (4) retail food establishments (including restaurants) that we purchase (or as to which we purchase the rights as franchisor) that are part of another franchise system or chain, regardless whether any or all of them are converted to use any or all of the Marks and the System or continue to be operated independently.

Except as otherwise expressly provided in the Area Development Agreement, we retain all of our rights and discretion with respect to the Marks, the System and Lion's Choice restaurants anywhere in the world, including the right to: (a) operate, and grant to others the right to operate, Lion's Choice restaurants at the locations and on the terms and conditions we deem appropriate; (b) sell any products or services under any trademarks, service marks or trade dress, including the Marks, through other channels of distribution, (including wholesale distribution of food products to restaurants, supermarkets, grocery stores, caterers and other outlets and using such media as deemed appropriate including the Internet, catalog sales, telemarketing or other direct marketing); and (c) operate, and grant to others the right to operate, retail food establishments (including restaurants) identified by tradenames, trademarks, service marks or trade dress, other than the Marks, on the terms and conditions we deem appropriate.

In the Development Area you must have open and operating, on the dates they are to be open and operating, the cumulative number of Lion's Choice restaurants as set forth in the Development Schedule. We have no obligation under any circumstances to extend the Development Schedule or the Site Acceptance Letter Schedule. Your failure to develop and operate Lion's Choice restaurants in accordance with the Development Schedule will be a material breach of the Area Development Agreement.

Notwithstanding the foregoing, you shall not be deemed to be in breach of the Development Schedule if your failure to timely open the requisite number of Lion's Choice Restaurants results solely from windstorms, rains, floods, earthquakes, typhoons, mudslides, fires or other natural disasters. Any delay resulting from any of such causes shall extend performance accordingly, in whole or in part, as may be reasonable, except that no such cause, alone or in combination with other causes, shall extend performance more than ninety (90) days without our prior written consent, which consent may be withheld in our sole discretion.

**Competing Businesses.**

Neither we nor any affiliate operates or franchises, or has plans to operate or franchise, a business under a different trademark that sells goods and services similar to the goods and services that you will sell from your Lion's Choice restaurant.

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## ITEM 13
## TRADEMARKS

**Status of Principal Mark.**

Under the Franchise Agreement, we grant to you the right to operate a Lion's Choice restaurant under the name "Lion's Choice" using the logo design shown in the upper left-hand corner of the Cover Page, and under any other trade names, trademarks, service marks, trade dress and logos used at this time or that may be used in the future for the operation of Lion's Choice restaurants using the System.

Our Parent Company is the owner of the following Principal Marks, which are registered on the Principal Register of the United States Patent and Trademark Office ("USPTO") or for which an application based on actual use or an intent to use has been filed with the USPTO:

| Marks | Registration/Application Number | Registration/ Application Date |
|---|---|---|
| LION'S CHOICE | RN: 5209350 | 5/23/17 |
| KING BEEF | RN: 4746123 | 5/10/21 |
| LION'S CHOICE | RN: 5763942 | 5/28/19 |
| LION'S CHOICE | RN: 5209373 | 5/23/17 |
| Lion Head Design Only | RN: 5241133 | 7/11/17 |
| LION'S CHOICE | RN: 5191351 | 4/25/17 |
| LION'S CHOICE | RN: 5209371 | 5/23/17 |
| LION'S CHOICE | RN: 5191350 | 4/25/17 |
| LION'S CHOICE | RN: 1678901 | 3/10/92 |
| BE FIT. BEEF IT. | RN: 3011276 | 11/1/05 |
| REAL ROASTED BEEF, READY RIGHT NOW. | RN: 2792621 | 12/9/03 |
| Lion Head Design Only | RN: 5241134 | 7/11/17 |

All required affidavits in connection with the foregoing trademarks and service marks have been filed.

As of the date of this Disclosure Document, there are no effective material final determinations of the patent and trademark office, trademark trial and appeal board, the trademark administration of any state or court, and there are no pending infringement, opposition or cancellation proceedings, or any pending material litigation, involving the Principal Marks.

You must use all Marks in full compliance with rules prescribed from time to time by LC Franchisor. You may not use any name or Mark as part of any corporate, legal or other business name (other than in connection with any legally required fictitious or assumed name filings) or with any prefix, suffix or other modifying words, terms, designs or symbols, or with the name or other approved designation of the metropolitan area or city in which the Lion's Choice restaurant is located. In addition, you may not use any name or Mark in connection with the sale of any unauthorized product or service or in any other manner that we have not explicitly authorized in writing. In addition to all other rights we may have for unauthorized use of the Marks or the sale of unauthorized products or services, you must reimburse us for any damages, liability or expenses incurred by us arising out of your sale of any unauthorized product or service or for any damages, liability or expenses incurred by us arising out of your use of the Marks in an unauthorized manner.

**Franchise Agreement.**

If it becomes advisable at any time for us and/or you to modify or discontinue use of any Mark and/or use additional or substitute trademark, service mark or trade dress, you must comply with our directions within a reasonable time after notice. You must bear all costs and expenses applicable to your Lion's Choice restaurant should we decide to modify the Marks or use additional or substitute Marks. We will have no liability or obligation whatsoever with respect to any such required modification or discontinuance of any Mark or the promotion of an additional or substitute Intellectual Property.

You must immediately notify us of any apparent infringement of or challenge to your use of any Mark, or claim by any person of any rights to any Mark, and you must not communicate with any person other than your legal counsel, us, Pumpernickel and our respective legal counsel in connection with any infringement, challenge or claim. Pumpernickel will have sole discretion to take any action it deems appropriate and will have the right to control exclusively any litigation or USPTO or other administrative proceeding arising out of any infringement, challenge or claim or otherwise relating to any Mark. You must sign any and all instruments and documents, provide assistance and do all acts and things as, in the opinion of our or Pumpernickel's legal counsel, may be necessary or advisable to protect Pumpernickel's interests in any litigation or USPTO or other administrative proceeding or otherwise to protect its interests in the Marks.

We will indemnify you against, and reimburse you for, all damages for which you are held liable in any proceeding arising out of your authorized use of any Mark under the Franchise Agreement and, except as provided in the Franchise Agreement, for all costs you actually and reasonably incur in defending any claim brought against you, your Owners or Affiliates or any proceeding in which you are named as a party, if you have timely notified us of the claim or proceeding and you, your Owners and Affiliates are in compliance with the Franchise Agreement and all other agreements entered into with us and our Affiliates. At Pumpernickel's sole discretion, it will be entitled to prosecute, defend or settle any proceeding arising out of your use of any Mark, and, if Pumpernickel decides to prosecute, defend or settle any matter, it will have no obligation to indemnify or reimburse you for any fees or disbursements of counsel you retain. In addition to all other rights we may have for unauthorized use of the Marks or the sale of unauthorized products or services, you must reimburse us for any damages, liability or expenses incurred by us arising out of your sale of any unauthorized product or service or for any damages, liability or expenses incurred by us arising out of your use of the Marks in an unauthorized manner.

**Area Development Agreement.**

The Area Development Agreement does not grant you the right to use any of the Marks. Your right to use the Marks is derived solely from the Franchise Agreements you enter into with us. You may not use any Mark (or any abbreviation, modification or colorable imitation) as part of a corporate, legal or other business name (other than in connection with any legally required fictitious or assumed name filings), or with any prefix, suffix or other modifying words, terms, designs or symbols, or with the name or other designation of the metropolitan area or city in which the Lion's Choice restaurant is located, or in any other manner (including any Internet related use such as an electronic media identifier, for websites, web pages or domain names) not explicitly authorized in writing by us. You may not at any time during or after the term of the

Area Development Agreement contest, or assist any other person or entity in contesting, the validity or ownership of any of the Marks.

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## ITEM 14
## PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We claim copyright protection for our Policy Manual, printed advertising and promotional materials and software programs. We have not registered all the materials to which we claim copyright protection.

We also consider certain information relating to the development and operations of Lion's Choice restaurants trade secrets and proprietary information. This information includes:

i. Policy Manual;

ii. ingredients, recipes, and methods of preparation and presentation of authorized food products;

iii. site selection criteria for Lion's Choice restaurants and plans and specifications for the development of Lion's Choice restaurants;

iv. sales, marketing and advertising programs and techniques for Lion's Choice restaurants;

v. identity of suppliers and knowledge of specifications, processes, procedures and equipment, and pricing for authorized food products, materials, supplies and equipment;

vi. knowledge of operating results and financial performance of Lion's Choice restaurants, other than Lion's Choice restaurants you own;

vii. methods of inventory control, storage, product handling, training and management relating to Lion's Choice restaurants; and

viii. any and all other information that we provide you that is labeled proprietary or confidential or which by its nature is generally considered proprietary or confidential regardless of whether such information is specifically labeled as proprietary or confidential.

All recipes, processes, ideas, concepts, advertising and promotional materials, website pages and content, methods or techniques useful to Lion's Choice restaurants, whether or not constituting protectable intellectual property (collectively, the "Materials"), and whether created by you or on your behalf, must be promptly disclosed to us. If adopted as part of the System, or deemed to be sufficiently related to our business to be considered proprietary, the Materials will be considered our property and deemed to be Works-made-for-Hire for us, and to the extent the Materials may for any reason not be considered a Work-made-for-Hire, you irrevocably convey, grant, transfer and assign to us all right, title and interest which you may have now or in the future in and to the Materials. You must sign whatever documents we request to evidence our ownership or to assist us in securing intellectual property rights in the Materials, and you warrant that you will obtain all rights from any third party acting on your behalf.

You may not use our Confidential Information in an unauthorized manner and may not disclose our Confidential Information to others. Your restrictions on disclosure and use of Confidential Information do not apply to information or techniques which are or become generally known in the restaurant industry (other than through your own disclosure), provided you obtain our prior written consent to such disclosure or use.

As of the date of this Disclosure Document there are no effective material final determinations of the USPTO, Copyright Office (Library of Congress) or any court regarding the patent application or any of the copyrighted materials, and there are no pending infringement, opposition or cancellation proceedings, or any pending material litigation, involving any of the patents, patent applications or copyrighted materials. Nor are there any infringing uses or superior prior rights actually known to us that could materially affect your use of any of the patents, patent applications or the copyrighted materials in any state.

**Customer Data.**

All information, mailing lists and data bases of Customer Data (as defined in the Franchise Agreement) from whatever source derived, shall, at our request, and in any event when provided by you to us, be our property. You agree not to use such information, except in connection with your Restaurant in accordance with the Franchise Agreement. You agree not to use, process, copy, display, publish, store or transfer the Customer Data without our approval. You agree to comply with all applicable laws with respect to Customer Data; in addition, you agree to comply with all data privacy and security requirements we may establish from time to time and to exert commercially reasonable efforts to prevent the unauthorized use, dissemination, or publication of Customer Data, subject in all instances to applicable laws. You shall promptly notify us if you become aware of or suspect any unauthorized access to the Customer Data, or if you become the subject of any governmental, regulatory, or other enforcement or private proceeding relating to your data handling practices of Customer Data. You agree to indemnify us for all third-party claims related to your use of Customer Data.

We are not obligated to indemnify you against, or reimburse you for, any damages for which you are held liable in any proceeding arising out of your authorized use of any copyright under the Franchise Agreement. Neither are we obligated to reimburse you for any costs you incur in defending any claim brought against you, your Owners or Affiliates or any proceeding in which you are named as a party. In addition to all other rights we may have for unauthorized use of a patent or copyright, you must reimburse us for any damages, liability or expenses incurred by us arising out of your use of a patent or copyright in an unauthorized manner.

**Area Development Agreement.**

The Area Development Agreement does not grant you the right to use any of the patents or copyrights. Your right to use the patents and copyrights is derived solely from the Franchise Agreements you enter into with us.

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## ITEM 15
## OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must designate in Exhibit A to the Franchise Agreement as the "Operating Partner" an individual approved by us who must: (a) own and control, or have the right to own and control (subject to conditions reasonably acceptable to us), not less than ten percent (10%) of your equity; (b) have the authority to bind you regarding all communications with us and operational decisions with respect to your Restaurant; and (c) have completed our training program to our satisfaction.

Your Operating Partner: (a) shall exert his/her full-time and best efforts to the development and operation of your Lion's Choice restaurant and all other Lion's Choice restaurants you own; and (b) may not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise may conflict with your obligations under the Franchise Agreement. You agree to provide us with copies of any arrangement, agreement or contract, and all amendments thereto, relating to your relationship with your Operating Partner. We shall have no responsibility, liability or obligation to any party to any such arrangement, agreement or contract, or any amendments thereto, on account of our review thereof or otherwise, and you agree to indemnify and hold us harmless with respect thereto. Your Lion's Choice restaurant must, at all times, be managed by your Operating Partner or by an on-site general or assistant manager or a shift supervisor who has completed our training program to our satisfaction. Your manager need not have an equity interest in the franchise.

As more fully set forth in the Franchise Agreement and the Area Development Agreement, you must implement all reasonable procedures we prescribe from time to time to prevent unauthorized use or disclosure of Confidential Information. Such procedures may include the use of nondisclosure agreements with your owners, officers, directors, Operating Partners, managers, assistant managers, and the like. You and your owners must deliver such agreements to us. At the end of the term of a Franchise Agreement or Area Development Agreement, you must deliver to us all Confidential Information.

If you are a partnership, corporation, limited liability company or other legal entity, one, some or all of your owners as we deem necessary must undertake to be personally bound, jointly and severally, by your obligations under the Franchise Agreement and Area Development Agreement, if any. Copies of these guarantees are attached to the forms of Area Development Agreement and Franchise Agreement in Exhibit A and Exhibit B of this Disclosure Document.

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## ITEM 16
## RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

**Franchise Agreement.**

You must sell all food, beverage, other products, merchandise and services that we determine from time to time to be appropriate for your Lion's Choice restaurant. We may, in our discretion, establish certain marketing programs, including limited time offers, with which you must participate. We will not refund or exchange any unused products shipped to you in connection with these marketing programs. You are not restricted as to the customers whom you may serve at the Lion's Choice restaurant.

Your Lion's Choice restaurant will not be permitted to offer any products or services (including promotional items) we have not authorized for Lion's Choice restaurants without our prior written approval. We have the right to change the types of authorized goods and services, and there are no limits on our right to make changes. You may not use your Lion's Choice restaurant for any purpose other than the operation of a Lion's Choice restaurant in compliance with the Franchise Agreement.

You must at all times maintain an inventory of approved food products, beverages, ingredients and other products sufficient in quantity, quality and variety to realize your Lion's Choice restaurant's full potential.

We may conduct market research to determine consumer trends and salability of new food products and services. You must participate in our market research programs by test marketing new food products and services in your Restaurant and providing us with timely reports and other relevant information regarding such market research. You must purchase a reasonable quantity of such test products and make a reasonable effort to sell them. You may be required to enter into a test agreement, which will outline all requirements for the testing. All test requirements, processes and procedures must be adhered to as outlined by us. Any applicable costs (smallwares, product, media or costs for any associated marketing activities) will be your responsibility, and you must provide complete data statistics on the test for our review and evaluation.

**Area Development Agreement.**

The Area Development Agreement contains no provisions restricting the goods and services you may offer. However, with respect to each Lion's Choice restaurant developed under the Area Development Agreement, you will be subject to the restrictions on goods and services contained in our then-current standard Franchise Agreement. The restrictions in our current Franchise Agreement are set out above.

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

## THE FRANCHISE RELATIONSHIP

**Franchise Agreement.**

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

| PROVISION | SECTION IN FRANCHISE AGREEMENT | SUMMARY |
|---|---|---|
| a. Term of the franchise | Section 2.01 of Franchise Agreement | 20 years. |
| b. Renewal or extension of the term | Section 15 of Franchise Agreement | An initial franchise may be granted a renewal of franchise under terms of then-current Franchise Agreement. The new agreement may have terms and conditions materially different from the original contract. A successor franchise has no renewal rights. |
| c. Requirements for you to renew or extend | Section 15 of Franchise Agreement | If you are in compliance with all terms of all agreements, sign new agreement, pay fee, remodel, sign general release; 180-day prior notice; and if there is no adverse franchise legislation. |
| d. Termination by you | None in Franchise Agreement | |
| e. Termination by us without cause | None in Franchise Agreement | |
| f. Termination by us with cause | Section 14 of Franchise Agreement | We can terminate only for specified causes. |
| g. "Cause" defined — defaults which can be cured | Section 14.02 of Franchise Agreement | You have 24 hours to cure health violations; 10 days to correct delinquent payments due us; 30 days to cure breaches of Franchise Agreement. |
| h. "Cause" defined — defaults which cannot be cured | Section 14.01, Section 14.02 and Section 9.06 of Franchise Agreement | Includes insolvency, failure to open or abandonment of business, cancellation of lease, misrepresentations, conviction of a felony, violation of any anti-terrorism law, unauthorized transfer, unauthorized disclosure of Confidential Information, repeated breaches of the agreements; fail 3 or more times within a period of 12 months to submit reports and other data or to otherwise comply with the Franchise Agreement, whether or not such failure is corrected; violation of any antiterrorism law or |

| PROVISION | SECTION IN FRANCHISE AGREEMENT | SUMMARY |
|---|---|---|
| | | if your assets, property or interest are "blocked" under such law; termination or expiration of Area Development Agreement before the construction of your Restaurant starts. |
| i. Your obligations on termination, nonrenewal | Section 16 of Franchise Agreement | Discontinue use of Marks, Confidential Information, proprietary software and any mode of Internet communications; transfer to us the domain name for your Restaurant; de-identify your business; return LC Franchisor Policy Manual; notify telephone company; pay all monies owed us and provide evidence of your compliance within 30 days of termination. |
| j. Assignment of contract by us | Section 19.07 of Franchise Agreement | No restriction on our right to transfer or assign. |
| k. "Transfer" by you — definition | Section 1.04 of Franchise Agreement | Includes sale, transfer, assignment or other disposition, whether voluntary or involuntary, by operation of law or otherwise, of the agreement rights, or any direct or indirect legal or beneficial ownership interest in Franchisee. |
| l. Our approval of transfer by you | Section 13.01 and Section 13.02 of Franchise Agreement | We have the right to approve all transfers but will not unreasonably withhold approval if certain conditions satisfied. |
| m. Conditions for our approval of transfer | Section 13.02 of Franchise Agreement | Restaurant must have opened; you must be in compliance with agreement; transferee must qualify, complete training and sign new or existing Franchise Agreement; transferee cannot be a public company; all your Restaurants must be transferred; transfer fee must be paid; you must subordinate debts and sign a general release and non-compete agreement; we must approve price and payment terms; there must be no adverse franchise legislation; you must do other things we request. |
| n. Our right of first refusal | Section 13.06 of Franchise Agreement | We can match any bona fide offer for your business within 30 days from delivery of a complete and accurate copy of offer. |
| o. Our right to purchase your business | Sections 16.04, 16.05, 16.06, 16.07, 16.08, 16.09, 16.10 of Franchise Agreement | We may acquire your Restaurant, at a defined purchase price, upon termination or expiration (without renewal) of the Franchise Agreement. |
| p. Your death or disability | Section 13.05 of Franchise Agreement | All rights in Franchise Agreement must be assigned to an approved transferee within a reasonable time period not to exceed nine months of death/disability. |

| PROVISION | SECTION IN FRANCHISE AGREEMENT | SUMMARY |
|---|---|---|
| q. Non-competition covenants during the term of the franchise | Section 7.02 of Franchise Agreement | No involvement in any competing business, regardless of its location. |
| r. Non-competition covenants after the franchise is terminated or expires | Section 16.03 of Franchise Agreement | You may not own or provide services/advice to any competing business or any entity which franchises or licenses a competing business for 2 years within your Protected Area or within 5 miles of any Lion's Choice restaurant. |
| s. Modification of the agreement | Section 10.01 and Section 19.09 of Franchise Agreement | Generally, no modification except by written agreement signed by both parties. However, LC Franchisor Policy Manual is subject to change by us. We may also increase the Brand Fund, LAF or MAF contributions beyond their maximum amounts with an affirmative vote by 66% of the then existing company and franchised Restaurants or 51% of then existing franchised Restaurants. |
| t. Integration/merger clause | Section 19.09 of Franchise Agreement | Only the terms of the Franchise Agreement, including LC Franchisor Policy Manual, are binding (subject to state law); any other oral or written promises may not be enforceable; nothing is intended to disclaim any representation made in this disclosure document. |
| u. Dispute resolution by arbitration or mediation | None in Franchise Agreement | |
| v. Choice of forum | Section 18 of Franchise Agreement | Missouri state courts, and federal district court in St. Louis, Missouri (subject to state law). |
| w. Choice of law | Section 19.06 of Franchise Agreement | Subject to state law, Missouri law applies generally, except for applicable franchise laws of other states. |

**Area Development Agreement.**

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

| PROVISION | SECTION IN AREA DEVELOPMENT AGREEMENT | SUMMARY |
|---|---|---|
| a. Term of the Area Development Agreement | Section 2.01 | Date set forth in Exhibit A or date upon which developer opens cumulative number of Restaurants set forth in Exhibit A. |

| PROVISION | SECTION IN AREA DEVELOPMENT AGREEMENT | SUMMARY |
|---|---|---|
| b. Renewal or extension of the term | None | Upon request from developer, we will consider renewals and extensions on a case by case basis. |
| c. Requirements for you to renew or extend | None | See b. above. |
| d. Termination by you | None | |
| e. Termination by us without cause | None | |
| f. Termination by us with cause | Section 8 | We can terminate only for specified causes. |
| g. "Cause" defined — defaults which can be cured | Section 8.01 and Section 8.02 | 30 days to cure a breach of Area Development Agreement, and 30 days to discharge any petition in bankruptcy, dissolution, reorganization, or appointment of receiver or custodian. |
| h. "Cause" defined — defaults which cannot be cured | Section 8.01, Section 8.02 and Section 9.06 | Failure to meet Development Schedule or Site Acceptance Letter Schedule, Remodel Schedule, misrepresentations, conviction of a felony, violation of any anti-terrorism law, unauthorized transfer, unauthorized disclosure of Confidential Information, breach of any Franchise Agreement or any other agreement between you, your Owners or any of your Affiliates (as defined in the Area Development Agreement) and us; adverse franchise legislation. |
| i. Your obligations on termination, nonrenewal | Section 9 | Comply with covenant not-to-compete. |
| j. Assignment of contract by us | Section 11.07 | No restriction on our right to transfer or assign. |
| k. "Transfer" by you definition | Section 1.04 | Includes sale, transfer, assignment or other disposition, whether voluntary or involuntary, by operation of law or otherwise, of the agreement rights, or any direct or indirect legal or beneficial ownership interest in Developer. |
| l. Our approval of transfer by you | Sections 7.01 and 7.02 | We have the right to approve all transfers but will not unreasonably withhold approval if certain conditions satisfied. |

| PROVISION | SECTION IN AREA DEVELOPMENT AGREEMENT | SUMMARY |
|---|---|---|
| m. Conditions for LC Franchisor 's approval of transfer | Section 7.02 | You must be in compliance with agreement; transferee must qualify, and sign existing agreement; all your Restaurants must be transferred; transfer fee must be paid; you must subordinate debts and sign a general release and non-compete agreement; there must be no adverse franchise legislation; and you must do other things we request. |
| n. Our right of first refusal | Section 7.06 | We can match any bona fide offer for your business within 30 days from delivery of a complete and accurate copy of offer. |
| o. Your death or disability | Section 7.05 | All rights in Area Development Agreement must be assigned to the approved buyer within a reasonable time period not to exceed nine months of death/disability. |
| p. Non-competition covenants during the term of the franchise | Section 6.02 | No involvement in any competing business, regardless of its location; may not divert or attempt to divert business or customers to competing business. |
| q. Non-competition covenants after the franchise is terminated or expires | Section 9.02 | You may not own or provide services/advice to any competing business or any entity which franchises or licenses a competing business for 2 years within your Development Area or within 5 miles of any Lion's Choice restaurant. |
| r. Modification of the agreement | Section 11.09 | No modification except by written agreement signed by both parties. |
| s. Integration/merger clause | Section 11.09 | Only the terms of the Area Development Agreement are binding (subject to state law); any other promises may not be enforceable; nothing is intended to disclaim any representation made in this disclosure document. |
| t. Dispute resolution by arbitration or mediation | None | |
| u. Choice of forum | Section 10 | Missouri state courts, and federal district court in St. Louis, Missouri, subject to state law. |
| v. Choice of law | Section 11.06 | Subject to state law, Missouri law applies generally, except for applicable franchise laws of other states. |

Some states may have statutes and other states may have court decisions that may supersede the Franchise Agreement and Area Development Agreement in your relationship with us, including the areas of termination and renewal of your franchise.

Provisions in the Franchise Agreement and the Area Development Agreement that provide for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

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## ITEM 18
## PUBLIC FIGURES

We do not use any public figure to promote the sale of our franchises.

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## 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.

This Item 19 presents information about the financial performance of certain Lion's Choice locations during the fiscal years ended December 28, 2019, ("Fiscal Year 2019"), December 26, 2020 ("Fiscal Year 2020") and December 25, 2021. ("Fiscal Year 2021").

### 1. Financial Performance Representations for Fiscal Year 2019

As of December 28, 2019, there were 33 Lion's Choice locations operating, of which 30 were company owned locations and 3 were franchised locations. The company owned locations included 22 traditional locations in the St. Louis Missouri metropolitan market, 3 traditional locations in the Kansas City metropolitan market and 5 non-traditional locations.

Herein we refer to the 22 traditional company owned locations in the St. Louis metropolitan market as the "**2019 Covered Restaurants**." The Fiscal Year 2019 financial results of these locations are outlined below and are based on LC Corporate LLC 2019 audited financial statements.

The table below is based on breaking out the 2019 Covered Restaurants into 3 Tiers, with the Tiers being based on Total Net Sales generated in the fiscal year. Tier 1 includes the top 8 Net Sales generating locations, Tier 2 includes the next 8 highest Net Sales generating locations, and Tier 3 includes the remaining 6 Covered Restaurants.

**Table 1**
**Fiscal Year 2019**
**2019 Covered Restaurants**

| | Tier 1 | Tier 2 | Tier 3 | Total |
|---|---|---|---|---|
| **# of Covered Stores** | **8** | **8** | **6** | 22 |
| **Net Sales** | | | | |
| Highest Net Sales | $ 1,762,924 | $ 1,337,430 | $ 1,112,879 | $ 1,762,924 |
| Lowest Net Sales | $ 1,369,745 | $ 1,137,023 | $ 874,593 | $ 874,593 |
| Median Net Sales | $ 1,469,671 | $ 1,272,345 | $ 1,019,586 | $ 1,302,306 |
| Average Net Sales | $ 1,502,501 | $ 1,264,793 | $ 1,000,755 | $ 1,279,222 |
| # of Stores at or above Average | **2** | **4** | **3** | 12 |
| % of Stores at or above Average | 25.00% | 50.00% | 50.00% | 54.55% |
| **Operating Profit $** | | | | |
| Highest Operating Profit | $ 389,293 | $ 217,429 | $ 141,113 | $ 389,293 |
| Lowest Operating Profit | $ 205,996 | $ 74,612 | $ (22,236) | $ (22,236) |
| Median Operating Profit | $ 262,751 | $ 190,507 | $ 73,869 | $ 199,880 |
| Average Operating Profit | $ 266,470 | $ 175,523 | $ 66,784 | $ 178,939 |
| # of Stores at or above Average | 4 | 6 | 4 | 14 |
| % of Stores at or above Average | 50.00% | 75.00% | 66.67% | 63.64% |
| **Operating Profit %** | | | | |
| Highest Operating Profit | 22.1% | 16.9% | 12.7% | 22.1% |
| Lowest Operating Profit | 14.0% | 6.6% | -2.5% | -2.5% |
| Median Operating Profit | 17.2% | 15.3% | 7.0% | 14.6% |
| Average Operating Profit | 17.7% | 13.9% | 6.7% | 14.0% |
| # of Stores at or above Average | 3 | 4 | 4 | 13 |
| % of Stores at or above Average | 37.5% | 50.0% | 66.7% | 59.1% |

***Supplemental Information for the Three (3) franchised restaurants for 2019.***

The average Net Sales for the 3 franchised restaurants that were operational during the entire year in 2019 were $916,820. These restaurants are in single store markets in small towns outside metropolitan areas with populations ranging from 6,500 to 14,000.

## 2. Financial Performance Representations for Fiscal Year 2020

As of December 26, 2020, there were 36 Lion's Choice locations operating, of which 33 were company owned locations and 3 were franchised locations. The company owned locations included 23 traditional locations in the St. Louis Missouri metropolitan market, 5 traditional locations in the Kansas City metropolitan market and 5 non-traditional locations.

Herein we refer to the 23 traditional company owned locations in the St. Louis metropolitan market as the "**2020 Covered Restaurants**." The results of these locations are outlined below and are based on LC Corporate LLC 2020 audited financial statements.

The table below is based on breaking out the 2020 Covered Restaurants into 3 Tiers, with the Tiers being based on Total Net Sales generated in the fiscal year. Tier 1 includes the top 8 Net Sales generating locations, Tier 2 includes the next 8 highest Net Sales generating locations, and Tier 3 includes the remaining 7 Covered Restaurants.

**Table 2**
**Fiscal Year 2020**
**2020 Covered Restaurants**

| | Tier 1 | Tier 2 | Tier 3 | Total |
|---|---|---|---|---|
| **# of Covered Stores** | **8** | **8** | **7** | 23 |
| **Net Sales** | | | | |
| Highest Net Sales | $ 1,671,188 | $ 1,314,871 | $ 1,065,934 | $ 1,671,188 |
| Lowest Net Sales | $ 1,344,177 | $ 1,129,362 | $ 770,709 | $ 770,709 |
| Median Net Sales | $ 1,493,960 | $ 1,199,759 | $ 954,388 | $ 1,207,402 |
| Average Net Sales | $ 1,497,333 | $ 1,209,078 | $ 941,578 | $ 1,227,927 |
| # of Stores at or above Average | **4** | **3** | **4** | 10 |
| % of Stores at or above Average | **50.00%** | **37.50%** | **57.14%** | 43.48% |
| **Operating Profit $** | | | | |
| Highest Operating Profit | $ 343,130 | $ 236,736 | $ 146,291 | $ 343,130 |
| Lowest Operating Profit | $ 242,844 | $ 90,667 | $ (27,492) | $ (27,492) |
| Median Operating Profit | $ 268,296 | $ 137,542 | $ 44,207 | $ 146,291 |
| Average Operating Profit | $ 281,296 | $ 153,290 | $ 52,499 | $ 167,138 |
| # of Stores at or above Average | 3 | 2 | 3 | 10 |
| % of Stores at or above Average | 37.50% | 25.00% | 42.86% | 43.48% |
| **Operating Profit %** | | | | |
| Highest Operating Profit | 21.3% | 18.1% | 14.7% | 21.3% |
| Lowest Operating Profit | 16.6% | 7.7% | -3.6% | -3.6% |
| Median Operating Profit | 19.1% | 11.7% | 4.9% | 12.5% |
| Average Operating Profit | 18.8% | 12.7% | 5.6% | 13.6% |
| # of Stores at or above Average | 4 | 2 | 4 | 10 |
| % of Stores at or above Average | 50.0% | 25.0% | 57.1% | 43.5% |

***Supplemental Information for the Three (3) franchised restaurants for 2020.***

The average Net Sales for the 3 franchised restaurants that were operational during the entire year in 2020 were $901,535. These restaurants are in single store markets in small towns outside metropolitan areas with populations ranging from 6,500 to 14,000.

## 3. Financial Performance Representations for Fiscal Year 2021

As of December 25, 2021, there were 35 Lion's Choice locations operating, of which 32 were company owned locations and 3 were franchised locations. The company owned locations included 23 traditional locations located in the St. Louis Missouri metropolitan market, 5 traditional locations in the Kansas City metropolitan market and 4 non traditional locations.

Herein we refer to the 23 traditional locations in the St. Louis metropolitan market as the "**2021 Covered Restaurants**." The results outlined below are based on LC Corporate's audited financial statements.

The table below is based on breaking out the 2021 Covered Restaurants into 3 Tiers, with the Tiers being based on Total Net Sales generated in the fiscal year. Tier 1 includes the top 8 Net Sales generating locations, Tier 2 includes the next 8 highest Net Sales generating locations, and Tier 3 includes the remaining 7 Covered Restaurants.

**Table 3**
**Fiscal Year 2021**
**2021 Covered Restaurants**

| | Tier 1 | Tier 2 | Tier 3 | Total |
|---|---|---|---|---|
| **# of Covered Stores** | **8** | **8** | **7** | **23** |
| **Net Sales** | | | | |
| Highest Net Sales | $ 1,983,454 | $ 1,397,320 | $ 1,204,600 | $ 1,983,454 |
| Lowest Net Sales | $ 1,481,601 | $ 1,231,911 | $ 826,323 | $ 826,323 |
| Median Net Sales | $ 1,627,479 | $ 1,355,033 | $ 980,043 | $ 1,302,306 |
| Average Net Sales | $ 1,653,352 | $ 1,336,189 | $ 1,002,048 | $ 1,279,222 |
| # of Stores at or above Average | 3 | 5 | 3 | 13 |
| % of Stores at or above Average | 37.50% | 62.50% | 42.86% | 56.52% |
| **Operating Profit $** | | | | |
| Highest Operating Profit | $ 359,227 | $ 258,923 | $ 102,414 | $ 359,227 |
| Lowest Operating Profit | $ 162,482 | $ (27,395) | $ (115,710) | $ (115,710) |
| Median Operating Profit | $ 267,166 | $ 118,713 | $ (43,320) | $ 133,722 |
| Average Operating Profit | $ 256,427 | $ 112,268 | $ (15,136) | $ 123,635 |
| # of Stores at or above Average | 5 | 4 | 3 | 10 |
| % of Stores at or above Average | 62.50% | 50.00% | 42.86% | 43.48% |
| **Operating Profit %** | | | | |
| Highest Operating Profit | 19.4% | 18.5% | 9.7% | 19.4% |
| Lowest Operating Profit | 10.6% | -2.0% | -14.0% | -14.0% |
| Median Operating Profit | 16.2% | 8.9% | -4.4% | 10.3% |
| Average Operating Profit | 15.5% | 8.4% | -1.5% | 9.2% |
| # of Stores at or above Average | 5 | 4 | 3 | 12 |
| % of Stores at or above Average | 62.5% | 50.0% | 42.9% | 52.2% |

***Supplemental Information for the Three (3) franchised restaurants for 2021.***

The average Net Sales for the 3 franchised restaurants that were operational during the entire year in 2021 were $994,970. These restaurants are in single store markets in small towns outside metropolitan areas with populations ranging from 6,500 to 14,000.

**4. <u>Notes to Financial Performance Representations for Fiscal Year 2019, Fiscal Year 2020 and Fiscal Year 2021</u>**

A. The financial information disclosed herein was calculated based on internally generated financial information, as well as reports submitted by franchisees. While our Parent Company's financial statements have been audited, prospective franchisees should be advised that no certified public accountant has audited or expressed an opinion concerning the unit level financial information of Covered Restaurants disclosed herein, nor the annual net revenues information from franchisees. Upon your reasonable request, we will provide written substantiation for these financial performance representations.

The Operating Profit information disclosed above the Operating Profit does not include the following expenses that only franchised restaurants will incur:

(1) amortization of the $30,000 initial franchise fee
(2) monthly royalty fees of 5% of Net Sales
(3) local advertising requirement of 5% of Net Sales
(4) other fees and costs identified in Item 6.

B. "**Net Revenues**" is the same as "Net Sales" described in Item 6.

C. "**Operating Profit"** for each tier is calculated by: (a) subtracting the Cost of Goods Sold, Labor Costs and General Operating Expenses (as we define those terms below) for each of the Covered Restaurants included in the applicable tier from the Net Sales of each of those same Lion's Choice Restaurants

D. "**Cost of Goods Sold**" means the cost for food, paper and beverage net of any vendor rebates.

E. "**Labor Costs**" means wages (including overtime), bonus and other incentive compensation, health insurance premiums, vacation pay, workers' compensation costs and associated payroll taxes paid to the employees who spend all of their time at the particular Covered Restaurants, as applicable, including the general manager, assistant managers, shift leaders and team members. This figure does not cover all employee-related costs associated with operating a Lion's Choice Restaurant. For example, this figure does not include amounts for the salaries of multi-unit district managers, training managers, marketing, accounting, real estate development, information technology personnel, accounting personnel, human resources personnel, contract administration or other executive and administrative services performed by employees at the corporate level.

F. **Operating Expenses**" means all other direct costs to operate the Restaurants, other than Costs of Goods Sold and Labor Costs, and includes rent; real estate taxes, personal property and other taxes; telephone, gas, electric, water, waste removal and other utilities; supplies and equipment including smallware's and cleaning supplies; advertising, marketing and promotion; third party delivery costs, employee uniforms, repairs and maintenance on the equipment and restaurant premises, service contracts, office and janitorial supplies and services; credit card and bank fees, payroll processing fees, accounting and other professional fees, contract cleaning, landscaping and snow removal costs, employee recruiting costs, and other miscellaneous operating expenses.

G. There are a number of other costs and expenses that the Covered Restaurants may incur that are not included in the calculation to determine Operating Profit. Some of these costs and expenses include, for example, liability insurance premiums and interest and other debt services costs, income taxes, depreciation and amortization. Also, some general and administrative expenses are not included in the calculation for Operating Profit, such as expenses for services relating to overseeing the organization that a typical business owner would ordinarily provide (e.g., procure insurance, analyze financial statements and restaurant performance, troubleshoot operational or repair issues, place employment ads and onboard employees, and any other miscellaneous oversight roles). We expect that franchisees will provide these services themselves for their franchised Restaurants. You should consider these and all other costs and expenses that you will incur when creating a business plan for your Restaurant.

H. The Covered Restaurants generally reflect the mix of characteristics that we expect for new franchised Lion's Choice Restaurants. For example:

- The Covered Restaurants are typically free standing buildings located within grocery anchored strip centers, power centers anchored by big box retailers and/or located near multiple traffic generators and with cotenants with customer demographics similar to ours.

- The Covered Restaurants are all free standing locations, one of which shares its location with a co-tenant

- All but one of the Covered Restaurants have drive thru service

- The Covered Restaurants occupy, on average, 1,500 to 3,500 square feet of indoor space along with outdoor patios.

- The Covered Restaurants seat, on average, 35-85 guests indoors and 10-25 guests outdoors.

As noted in Footnote G, the financial performance figures disclosed herein do not reflect all of the other costs or expenses to be deducted from Net Sales to calculate your net profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Restaurant. Franchisees or former franchisees listed in the disclosure document may be one source of this information.

**Some outlets have sold or earned the amounts disclosed above. Your individual results may differ. There is no assurance you will sell or earn as much.**

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 any 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 Mike Kupstas, our Chief Executive

Officer, at Suite 100, St. Louis Missouri 63141, or the Federal Trade Commission, and the appropriate state regulatory agencies.

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**ITEM 20**
**OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**

**System-wide Outlet Summary**
**For years 2019 to 2021**

| Column 1 Outlet Type | Column 2 Year | Column 3 Outlets at the Start of the Year | Column 4 Outlets at the End of the Year | Column 5 Net Change |
|---|---|---|---|---|
| Franchised | 2019 | 3 | 3 | 0 |
| | 2020 | 3 | 3 | 0 |
| | 2021 | 3 | 3 | 0 |
| Company-Owned | 2019 | 26 | 27 | +1 |
| | 2020 | 27 | 30 | +2 |
| | 2021 | 30 | 29 | -1 |
| **Total Outlets** | **2019** | **29** | **30** | **+1** |
| | **2020** | **30** | **33** | **+4** |
| | **2021** | **33** | **32** | **-1** |

**Table No. 2**

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**
**For years 2019 to 2021**

| Column 1 State | Column 2 Year | Column 3 Number of Transfers |
|---|---|---|
| Missouri | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| **Totals** | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |

**Table No. 3**

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

| Col. 1 State | Col. 2 Year | Col. 3 Outlets at Start of Year | Col. 4 Outlets Opened | Col. 5 Terminations | Col. 6 Non-Renewals | Col. 7 Reacquired by Franchisor | Col. 8 Ceased Operations- Other Reasons | Col. 9 Outlets at End of the Year |
|---|---|---|---|---|---|---|---|---|
| Missouri | 2019 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2020 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2021 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| **Totals** | **2019** | **3** | **0** | **0** | **0** | **0** | **0** | **3** |
| | **2020** | **3** | **0** | **0** | **0** | **0** | **0** | **3** |
| | **2021** | **3** | **0** | **0** | **0** | **0** | **0** | **3** |

**Table No. 4**

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

| Col. 1 State | Col. 2 Year | Col. 3 Outlets at Start of the Year | Col. 4 Outlets Opened | Col. 5 Outlets Reacquired From Franchisee | Col. 6 Outlets Closed | Col. 7 Outlets Sold to Franchisee | Col. 8 Outlets at End of the Year |
|---|---|---|---|---|---|---|---|
| Illinois | 2019 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 1 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 2 |
| Kansas | 2019 | 0 | 2 | 0 | 0 | 0 | 2 |
| | 2020 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 2 |
| Missouri | 2019 | 25 | 0 | 0 | 1 | 0 | 24 |
| | 2020 | 24 | 2 | 0 | 0 | 0 | 26 |
| | 2021 | 26 | 0 | 0 | 1 | 0 | 25 |
| **Totals** | **2019** | **26** | **2** | **0** | **1** | **0** | **27** |

| Col. 1 State | Col. 2 Year | Col. 3 Outlets at Start of the Year | Col. 4 Outlets Opened | Col. 5 Outlets Reacquired From Franchisee | Col. 6 Outlets Closed | Col. 7 Outlets Sold to Franchisee | Col. 8 Outlets at End of the Year |
|---|---|---|---|---|---|---|---|
| | **2020** | **27** | **3** | **0** | **0** | **0** | **30** |
| | **2021** | **30** | **0** | **0** | **1** | **0** | **29** |

**Table No. 5**

**Openings for Fiscal Year 2022 Projected as of August 2022**

| Column 1 State | Column 2 Franchise Agreements Signed But Outlet Not Opened | Column 3 Projected New Franchised Outlet In The Next Fiscal Year | Column 4 Projected New Company-Owned Outlet In the Next Fiscal Year |
|---|---|---|---|
| Kansas | 0 | 0 | 0 |
| Missouri | 0 | 0 | 0 |
| Total | 0 | 0 | 0 |

The names, addresses, and telephone numbers of our Area Developers and Franchisees of Lion's Choice restaurants are listed in Exhibit E-1.

The name, city and state, and current business telephone number (or if unknown, the last known home telephone number) of every franchisee of ours in the U.S. who has had a franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under their franchise during the most recently completed fiscal year, or has not communicated with us within 10 weeks of the date of issuance of this Disclosure Document are listed in Exhibit E-2. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

The locations of company-owned Lion's Choice restaurants are listed in Exhibit E-3.

There are no trademark specific franchisee organizations associated with our franchise network.

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## ITEM 21
## FINANCIAL STATEMENTS

LC Corporate LLC has agreed to absolutely and unconditionally guarantee and to assume the obligations or duties of LC Franchisor under the Franchise Agreement. Therefore, the consolidated financial statements of LC Corporate LLC listed below are attached to this Disclosure Document as Exhibit F:

1. Audited financial statements for the fiscal years ended December 25, 2021, December 26, 2020 and December 28, 2019.

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## ITEM 22
## CONTRACTS

Attached as Exhibits to this Disclosure Document are the following contracts and their attachments:

1. Area Development Agreement (Exhibit A)

2. Franchise Agreement (Exhibit B)

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## ITEM 23
## RECEIPTS

The last two pages of the Disclosure Document are identical pages acknowledging receipt of this entire document (including the exhibits). Please sign and return to us one copy; please keep the other copy along with the Disclosure Document.

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# EXHIBIT A

## AREA DEVELOPMENT AGREEMENT

**LION'S CHOICE**

**AREA DEVELOPMENT AGREEMENT**

________________________________

AREA DEVELOPER

________________________________

AREA

________________________________

DATE OF AGREEMENT

**LION'S CHOICE**

**AREA DEVELOPMENT AGREEMENT**

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Page

# LION'S CHOICE
# AREA DEVELOPMENT AGREEMENT

This Area Development Agreement (this "Agreement") is made as of the _____ day of _________, ___, between LC FRANCHISOR, LLC ("Franchisor," "we," "us" or "Lion's Choice"), a Delaware limited liability company with its principal place of business located at 12977 North Forty Drive, Suite 100, St. Louis, Missouri 63127, and ___________________ ("Area Developer" or "you"), a(n) __________________________, whose principal address is _____________________________________________________________________.

## 1. INTRODUCTION.

**1.01 Lion's Choice Restaurants**. We own, operate and franchise Lion's Choice Restaurants, specializing in slow-roasted roast beef sandwiches, as well as other menu items and merchandise related to the Lion's Choice concept as we may authorize from time to time. We have developed and own a comprehensive system for developing and operating Lion's Choice Restaurants, which includes trademarks, building designs and layouts, equipment, recipes, ingredients, methods of preparation and specifications for authorized food products, methods of inventory control, training programs and certain operations and business standards and policies, all of which we may improve, further develop or otherwise modify from time to time.

**1.02 Your Acknowledgments**. You have read this Agreement and our franchise disclosure document. You understand the terms of this Agreement and accept them as being reasonably necessary to maintain the uniformity of our high quality standards at all Lion's Choice Restaurants in order to protect and preserve the goodwill of the Marks and the integrity of the System. You have conducted an independent investigation of the business contemplated by this Agreement and recognize that the restaurant industry is highly competitive, with constantly changing market conditions. You recognize that the nature of Lion's Choice Restaurants may change over time, that an investment in Lion's Choice Restaurants involves business risks and that the success of the venture is largely dependent on your own business abilities, efforts and financial resources.

**1.03 Your Representations**. You and your Principal Owners jointly and severally represent and warrant to us that: (a) neither you nor any of your Principal Owners has made any untrue statement of any material fact or has omitted to state any material fact in the written information submitted to us in obtaining the rights granted hereunder; (b) neither you nor any of your Owners has any direct or indirect legal or beneficial interest in any business that may be deemed a Competitive Business, except as otherwise completely and accurately disclosed in writing to us; and (c) the execution and performance of this Agreement will not violate any other agreement to which you or any of your Owners may be bound. You recognize that we have executed this Agreement in reliance on all of the statements made by you and your Owners in writing in connection with the rights granted hereunder.

**1.04 Certain Definitions**. The terms listed below have the meanings that follow them and include the plural as well as the singular. Other terms are defined elsewhere in this Agreement in the context in which they arise.

"Affiliate" – Any person or entity that directly or indirectly owns or controls the referenced party, that is directly or indirectly owned or controlled by the referenced party, or that is under common control with the referenced party. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through ownership of voting securities, by contract or otherwise.

"Competitive Business" – Any quick service or fast casual restaurant for which the sale of roast beef sandwiches constitutes more than twenty percent (20%) of its annual revenues and any other business that is the same as, or similar to, the Lion's Choice Restaurant concept as it evolves or changes over time. Restrictions in this Agreement on competitive activities do not apply to: (a) the ownership or operation of other Lion's Choice Restaurants that are licensed or franchised by us or any of our Affiliates; or (b) the ownership of shares of a class of securities that are listed on a public stock exchange or traded on the over-the-counter market and that represent less than five percent (5%) of that class of securities.

"Confidential Information" – Our proprietary and confidential information relating to the development and operation of Lion's Choice Restaurants, including: (1) all information contained in Policy Manual; (2) ingredients, recipes and methods of preparation and presentation of authorized food products; (3) site selection criteria for Lion's Choice Restaurants and plans and specifications for the development of Lion's Choice Restaurants; (4) sales, marketing and advertising programs and techniques for Lion's Choice Restaurants; (5) identity of suppliers and knowledge of specifications, processes, procedures and equipment, and pricing for authorized food products, materials, supplies and equipment; (6) knowledge of operating results and financial performance of Lion's Choice Restaurants, other than Lion's Choice Restaurants you own; (7) methods of inventory control, storage, product handling, training and management relating to Lion's Choice Restaurants; (8) computer systems and software programs used or useful in Lion's Choice Restaurants; and (9) any and all other information which is provided to you that is designated orally or in writing as proprietary or confidential or by its nature would reasonably be understood to be proprietary or confidential regardless of whether such information is specifically designated as proprietary or confidential.

"Immediate Family" – Spouse, parents, brothers, sisters and children, whether natural or adopted, of

"Lion's Choice Restaurants" – Restaurants which we or any of our Affiliates own, operate or franchise and which use the Marks and the System.

"Marks" – The current and future trade names, trademarks, service marks and trade dress that are used to identify the services and/or products offered by Lion's Choice Restaurants, including the mark "LION'S CHOICE" and the distinctive building design and color scheme of Lion's Choice Restaurants.

"Operating Partner" – The individual you so designate in Exhibit B and any replacement thereof approved by us.

"Owner" – Each person or entity that has a direct or indirect legal or beneficial ownership interest in Area Developer.

"Principal Owner" – Each Owner with a ten percent (10%) or greater interest in Area Developer.

"System" – The business methods, designs and arrangements for developing and operating Lion's Choice Restaurants, which include the Marks, building design and layouts, equipment, ingredients, recipes, methods of preparation and specifications for authorized food products, training, methods of inventory control and certain operating and business standards and policies, all of which we may improve, further develop or otherwise modify from time to time.

"Transfer the Development Rights" – or similar words – The direct or indirect sale, assignment, transfer, exchange, conversion, license, sublicense, lease, sublease, mortgage, pledge, collateral assignment, grant of a security, collateral or conditional interest or other encumbrance in or on, or other disposition, whether voluntary, involuntary, by operation of law or otherwise, of this Agreement, of any interest in or right under this Agreement, any form of legal or beneficial ownership interest in Area Developer, or any form of ownership interest or right to participate in or receive the benefits of the assets, revenues, income or profits of your business, or any one or more other acts or events not covered by the foregoing that we reasonably determine to be a form of direct or indirect transfer, including: (1) any transfer, redemption or issuance of a legal or beneficial ownership interest in the capital stock of, a membership interest in, or a partnership interest in, Area Developer or any interest convertible into or exchangeable for capital stock of, a membership interest in or a partnership interest in, Area Developer; (2) any merger or consolidation of Area Developer, whether or not Area Developer is the surviving entity, or any conversion of Area Developer from one form of legal entity into another form of legal entity, or any sale, exchange, encumbrance or other disposition of your assets; (3) any transfer in connection with or as a result of a divorce, dissolution of marriage or similar proceeding or a property settlement or legal separation agreement in the context of a divorce, dissolution of marriage or similar proceeding, an insolvency, bankruptcy or assignment for benefit of creditors, a judgment, a corporate, limited liability company or partnership dissolution or otherwise by operation of law; or (4) any transfer by gift, declaration of trust, transfer in trust, revocation of trust, trustee succession, trust termination, discretionary or mandatory trust distribution, occurrence of any event (e.g., death of a person) that affects or ripens the rights of contingent beneficiaries, exercise of a power of appointment, exercise of a withdrawal right, adjudication of any Principal Owner as legally disabled, or upon the death of any of your Principal Owners, by will or the laws of intestate succession or otherwise.

## 2. DEVELOPMENT RIGHTS.

**2.01 Term and Development Fee.** Unless sooner terminated in accordance with Section 8, the term of this Agreement (the "Term") starts on the date hereof and expires on the earlier of the expiration date set forth in Exhibit A or the date upon which Area Developer opens for operation the cumulative number of Lion's Choice Restaurants in the Development Area (as such term is defined in Section 2.02 hereof) set forth in Exhibit A. You have no right to renew or extend your rights under this Agreement. At the time you sign this Agreement, you must pay us the nonrefundable development fee set forth in Exhibit A

**2.02 Development Rights.** During the Term and provided you and your Affiliates are in compliance with this Agreement and all other agreements with us or any of our Affiliates (including Franchise Agreements signed pursuant to this Agreement), we will: (a) grant to you, in accordance with Section 3, that cumulative number of franchises for Lion's Choice Restaurants set forth in Exhibit A, all of which are to be located within the geographic area described in Exhibit A (the "Development Area"); and (b) not operate (directly or through an Affiliate), nor grant the right to operate, any Lion's Choice Restaurant located within the Development Area, except for: (1) franchises granted pursuant to this Agreement; (2) Lion's Choice Restaurants open (or under commitment to open) as of the date hereof; (3) Lion's Choice Restaurants or other retail food establishments using any part or all of the System and/or Marks that are located at transportation facilities (such as airport facilities, inter-MSA train and/or bus stations, turnpikes or other limited access highway rest stops), hospitals, colleges, universities, sports arenas, entertainment facilities, and military facilities, or where any locations or its food operations are controlled by a third party or in our judgment should be operated by a third party; and (4) retail food establishments that we purchase (or as to which we purchase the rights as franchisor) that are part of another franchise system or chain, regardless whether any or all of them are converted to use any or all of the Marks and/or System or continue to be operated independently. Notwithstanding any other term or condition of this Agreement to the contrary, you may not develop a Lion's Choice Restaurant within one (1) mile of another Lion's Choice Restaurant (which is either open or operating or has been approved by us for development) that is located outside of your Area Development Agreement.

**2.03 Development Obligations.** You must have open and operating in the Development Area in accordance with and pursuant to Franchise Agreements, that cumulative number of Lion's Choice Restaurants set forth in Exhibit A by the corresponding dates set forth therein ("Development Schedule"). Time is of the essence in this Agreement, and any requests by you to extend the Development Schedule may be granted or denied by us for any reason or no reason. Your failure to develop and open Lion's Choice Restaurants in accordance with the Development Schedule is a material breach of this Agreement for which we have the right to exercise any and all rights and remedies conferred under this Agreement and applicable law, including the right, in our sole discretion, to terminate this Agreement immediately pursuant to Section 8.02 without prejudice to our recovery of damages.

If your right to develop Lion's Choice Restaurants expires or is terminated, we shall have the right thereafter to develop and operate, or to allow others to develop and operate, Lion's Choice Restaurants in the Development Area, subject to such radius protection as may be granted pursuant to Franchise Agreements executed pursuant hereto. Notwithstanding any other term or condition of this Section 2.03, you shall not be deemed to be in breach of this Section 2.03 or the Development Schedule set forth in Exhibit A if your failure to timely open the requisite number of Lion's Choice Restaurants results solely from windstorms, rains, floods, earthquakes, typhoons, mudslides, fires or other natural disasters. Any delay resulting from any of such causes shall extend performance accordingly, in whole or in part, as may be reasonable, except that no such cause, alone or in combination with other causes, shall extend performance more than ninety (90) days without our prior written consent, which consent may be withheld in our sole discretion.

**2.04 Our Reservation of Rights.** Except as otherwise expressly provided in this Agreement, we and all of our Affiliates (and our respective successors and assigns, by purchase, merger, consolidation or otherwise) retain all of our rights and discretion with respect to the Marks, the System and Lion's Choice Restaurants anywhere in the world, and the right to engage in any business whatsoever, including the right to: (a) operate, and grant to others the right to operate, Lion's Choice Restaurants at such locations and on such terms and conditions as we deem appropriate; (b) sell any products or services under any trade names, trademarks, service marks or trade dress, including the Marks, through other channels of distribution (including wholesale distribution of food products to restaurants, supermarkets, grocery stores, caterers and other outlets and promoting and selling such products and services through other media, including the Internet); and (c) operate, and grant to others the right to operate, retail food establishments identified by trade names, trademarks, service marks or trade dress, other than the Marks, pursuant to such terms and conditions as we deem appropriate.

## 3. GRANT OF FRANCHISES.

**3.01 Site Selection Assistance.** We will furnish you with our standard site selection criteria and assistance for Lion's Choice Restaurants, as we may establish from time to time. We also will provide such on-site evaluation of sites proposed pursuant hereto as we deem necessary or appropriate.

**3.02 Site Evaluation and Acceptance.** Subject to Section 2.02, we will accept sites for the cumulative number of Lion's Choice Restaurants set forth in Exhibit A located within the Development Area in accordance with the following provisions:

(a) You must submit to us, in accordance with procedures we establish from time to time, a complete site information package, as we may establish from time to time (the "Site Information Package"), containing all information that we reasonably require for each site for a Lion's Choice Restaurant that you propose to develop and operate and that you in good faith believe to conform to our then-current standard site selection criteria for Lion's Choice Restaurants;

(b) We will accept or reject each site for which you submit to us a complete Site Information Package in accordance with Section 3.02(a) and, if we accept the site, we will do so by delivering our standard Site Acceptance Letter. Our Site Acceptance Letter, duly executed by us, is the exclusive means by which we accept a proposed site, and no other direct or indirect representation, approval or acceptance, whether in writing or verbally, by any of our officers, employees or agents, shall be effective or bind us. We will use all reasonable efforts to make a site acceptance decision and, if the site is accepted, deliver a Site Acceptance

Letter to you within thirty (30) days after we receive the complete Site Information Package and any other materials we have requested. In deciding whether to accept or reject a site you propose, we may consider such factors as we, in our sole discretion, deem appropriate, including the general location and neighborhood, demographic information, traffic patterns, access, visibility, location of other retail food establishments (including other Lion's Choice Restaurants) and size, condition, configuration, appearance and other physical characteristics of the site. Neither our acceptance of a proposed site, nor any information communicated to you regarding our standard site selection criteria or the proposed site, constitutes a warranty or representation of any kind, express or implied, as to the suitability of the proposed site for a Lion's Choice Restaurant or for any other purpose. Our acceptance of a proposed site merely signifies that we are willing to grant a franchise for a Lion's Choice Restaurant at that location in accordance with the terms of this Agreement. Your decision to develop and operate a Lion's Choice Restaurant at any site is based solely on your own independent investigation of the suitability of the site for a Lion's Choice Restaurant. In consideration of our acceptance of a proposed site, you and your Owners agree to release us, and our Affiliates, shareholders, members, officers, directors, managers, employees, agents, successors and assigns from any and all loss, damages and liability arising from or in connection with the selection and/or acceptance of such site for the development of a Lion's Choice Restaurant.

(c) If you, one of your Owners, or one of your Affiliates at any time owns the premises for your Restaurant, you must immediately notify us and we may require that you or such Owner or Affiliate (1) enter into an agreement with us in recordable form granting us the right and option, in the event of a termination (for whatever reason) of the Franchise Agreement, to lease the Premises at fair market rental rates for a term coterminus (in absence of an early termination) with the term of the Franchise Agreement (with an option to extend for 10 years) for such premises; or (2) enter into a prime lease with us at fair market rental rates for a term coterminus with the term of the Franchise Agreement (with an option to extend for 10 years) for such premises and a sublease with us on the same terms as the prime lease. The prime lease and sublease referenced in the preceding sentence shall be on the then current lease and sublease forms used by us.

**3.03** **Financial Qualifications**. In conjunction with our decision whether to accept or reject a proposed site, we may require that you and your Principal Owners furnish us financial statements (historical and pro forma), statements of the sources and uses of capital funds, budgets and other information regarding yourself, your Principal Owners and each legal entity, if any, involved in the development, ownership and operation of any Lion's Choice Restaurant you propose, as well as any then existing Lion's Choice Restaurants you or your Affiliates own. All such information shall be verified by you and your Principal Owners as being complete and accurate in all respects, shall be submitted to us in accordance with our requirements and will be relied on by us in determining whether to grant a franchise for the proposed Lion's Choice Restaurant. We may refuse to grant you a franchise for a Lion's Choice Restaurant if you fail to demonstrate sufficient financial and management capabilities to properly develop and operate the proposed Lion's Choice Restaurant and the then-existing Lion's Choice Restaurants you and your Affiliates own. We will evaluate such financial and management capabilities in accordance with the then-current standards we use to establish Lion's Choice Restaurants in other comparable market areas.

**3.04** **Grant of Franchise**. If we accept a proposed site pursuant to Section 3.02, and you demonstrate the requisite financial and management capabilities (if requested by us) pursuant to

Section 3.03, then we agree to offer you a franchise to operate a Lion's Choice Restaurant at the proposed site by delivering to you our then-current form of standard franchise agreement, together with all standard ancillary documents (including exhibits, addenda, riders, collateral assignments of leases, Principal Owner guarantees and other related documents) that we then customarily use in granting franchises for the operation of Lion's Choice Restaurants in the state in which the Lion's Choice Restaurant is to be located (the "Franchise Agreement"), as follows:

(a) The Franchise Agreement must be executed by you and your Owners and returned to us not earlier than five (5) business days and not later than fifteen (15) business days after we deliver it to you. If we do not receive the fully executed Franchise Agreement and payment of the initial franchise fee as required hereunder, we may revoke our offer to grant you a franchise to operate a Lion's Choice Restaurant at the proposed site and may revoke our acceptance of the proposed site; and

(b) The initial franchise fee payable for each Lion's Choice Restaurant required to be developed by Area Developer pursuant to this Agreement shall be Thirty Thousand Dollars ($30,000.00), payable at least thirty (30) days before the scheduled opening of your Restaurant, and the royalty fees shall not exceed the percentage set forth in our standard form franchise agreement being offered as of the date of this Agreement. Five Thousand Dollars ($5,000.00) of the development fee paid in accordance with Section 2.01 will be applied against the initial franchise fee payable under each Franchise Agreement entered into pursuant to the terms of this Agreement. You acknowledge and agree that no portion of the development fee shall be refundable for any Lion's Choice Restaurants that you have failed to develop in accordance with the terms of this Agreement.

**3.05 Annual Reports.** You must furnish us: (a) within ninety (90) days after the end of each calendar year, (i) a consolidated year-end balance sheet and income statement and statement of cash flow for you and all of your Affiliates that develop, own or operate Lion's Choice Restaurants, all prepared in accordance with LC Standards, and reflecting all year-end adjustments and accruals; (ii) similar information from all Principal Owners who have executed guarantees of this Agreement; and (iii) such summaries of financial information as we may require from time to time; and (b) within thirty (30) days of our request, such other information as we may require from time to time, including income tax statements. All such reports shall use our then-current standard chart of accounts. You must execute a written verification that the information in each such report and financial statement is complete and accurate. We reserve the right to require that your annual financial statements be audited, at your expense, by an independent certified public accountant approved by us. We reserve the right to publish or disclose information that we obtain under this Section 3.06 in any data compilations, collections, or aggregations that we deem appropriate, in our sole discretion.

## 4. YOUR ORGANIZATION AND MANAGEMENT.

**4.01 Organizational Documents.** You and each of your Owners represent, warrant and agree that: (a) you are duly organized and validly existing under the laws of the state of your organization, and, if a foreign business corporation, partnership, limited liability company or other legal entity, you are duly qualified to transact business in the state(s) in which the Development Area is located; (b) you have the authority to execute and deliver this Agreement and to perform your obligations hereunder; (c) true and complete copies of the articles of incorporation, articles of organization, operating agreement or principles, partnership agreement, bylaws, subscription agreements, buy-sell agreements, voting trust agreements, trust agreements and all other documents relating to your ownership, organization, capitalization, management and control, and any amendments thereto ("Organizational Documents") shall be promptly delivered to us; (d) your activities are restricted to those necessary solely for the development, ownership and operation of Lion's Choice Restaurants in accordance with this Agreement and in accordance with any other agreements entered into with us or any of our Affiliates; (e) the Organizational Documents recite that the issuance, transfer or pledge of any direct or indirect legal or beneficial ownership interest is restricted by the terms of this Agreement; (f) any certificates representing direct or indirect legal or beneficial ownership interests now or hereafter issued must bear a legend in conformity with applicable law reciting or referring to such restrictions; and (g) you will deliver to us a Secretary/Clerk's/Trustee's Certificate or other evidence satisfactory to us that the execution, delivery and performance of this Agreement, each Franchise Agreement and all other agreements and ancillary documents contemplated hereby or thereby have been duly authorized by all necessary action by Area Developer, if you are corporation, partnership, limited liability company or other legal entity, as applicable.

**4.02 Disclosure of Ownership Interests.** You and each of your Owners represent, warrant and agree that Exhibit B is current, complete and accurate. You agree that updated Exhibit B will be furnished promptly to us, so that Exhibit B (as so revised and signed by you) is at all times current, complete and accurate. Each person who is or becomes a Principal Owner must execute an agreement in the form we prescribe, undertaking to be bound jointly and severally by the terms of this Agreement, the current form of which is attached hereto as Exhibit C. Each person who is or becomes an Owner, but not a Principal Owner, must execute an agreement in the form we prescribe, undertaking to be bound by the confidentiality and non-competition covenants contained in the Agreement, the current form of which is attached hereto as Exhibit D. Each Owner must be an individual acting in his/her individual capacity, except as otherwise approved by us.

**4.03 Operating Partner/Management of Business.** You must designate in Exhibit B as the "Operating Partner" an individual approved by us who must: (a) own and control, or have the right to own and control (subject to terms and conditions reasonably acceptable to us), not less than a 10% interest in your equity; (b) have the authority to bind you regarding all communications with us and operational decisions with respect to your Restaurants; and (c) have completed our training program to our satisfaction.

Your Operating Partner: (a) shall exert his/her full-time and best efforts to the development and operation of all Lion's Choice Restaurants you own; and (b) may not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise may conflict with your obligations hereunder. Each of your Restaurants at all times must be managed by your Operating Partner or by an on-site general manager, assistant general manager, or shift supervisor who has completed our training program to our satisfaction.

Prior to opening your first Restaurant, your Operating Partner and any other personnel who are intended to have, or who actually have, responsibilities for more than one Lion's Choice Restaurant must complete the appropriate training program to our satisfaction. Thereafter, subsequently hired personnel must complete the appropriate training program to our satisfaction before assuming their position.

## 5. RELATIONSHIP OF THE PARTIES.

**5.01 Independent Contractors.** Neither this Agreement nor the dealings of the parties pursuant to this Agreement shall create any fiduciary relationship or any other relationship of trust or confidence. Franchisor and Area Developer, as between themselves, are and shall be independent contractors.

You understand and agree that we may operate and change the System and our business in any manner that is not expressly and specifically prohibited by this Agreement. Whenever we have expressly reserved in this Agreement or are deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, we may make our decision or exercise our right and/or discretion on the basis of our judgment of what is in our best interests, including our judgment of what is in the best interests of our franchise network, at the time our decision is made or our right or discretion is exercised, without regard to whether: (a) other reasonable alternative decisions or actions could have been made by us; (b) our decision or the action we take promotes our financial or other individual interest; (c) our decision or the action we take applies differently to you and one or more other franchisees or our company-owned operations; or (d) our decision or the exercise of our right or discretion is adverse to your interests. In the absence of an applicable statute, we will have no liability to you for any such decision or action. We and you intend that the exercise of our right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, we and you agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your rights and obligations hereunder.

Nothing contained in this Agreement, or arising from the conduct of the parties hereunder, is intended to make either party a general or special agent, joint venturer, partner or employee of the other for any purpose whatsoever. You must conspicuously identify yourself in all dealings with customers, lessors, contractors, suppliers, public officials, employees and others as the owner of development rights granted hereunder and must place such other notices of independent ownership on such forms, business cards, stationery, advertising and other materials as we may require from time to time.

You may not make any express or implied agreements, warranties, guarantees or representations or incur any debt in our name or on our behalf or represent that the relationship of the parties hereto is anything other than that of independent contractors. We will not be obligated by or have any liability under any agreements made by you with any third party or for any representations made by you to any third party. We will not be obligated for any damages to any person or property arising directly or indirectly out of the operation of your business hereunder.

**5.02 Indemnification.** You agree to indemnify us, our Affiliates and our respective directors, officers, employees, shareholders, members, managers, agents, successors and assigns (collectively "indemnitees"), and to hold the indemnitees harmless to the fullest extent permitted by law, from any and all losses and expenses (as defined below) incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, formal or informal inquiry (regardless of whether it is reduced to judgment) or any settlement thereof which arises directly or indirectly from, or as a result of, a claim of a third party against any one or more of the indemnitees in connection with (i) your failure to perform or breach of any covenant, agreement, term or provision of this Agreement; (ii) your breach of any representation or warranty contained in this Agreement; (iii) your development, ownership, operation and/or closing of any of your Restaurants; and (iv) any allegedly unauthorized service or act rendered or performed in connection with this Agreement, and regardless of whether it resulted from any strict or vicarious liability imposed by law on the indemnitees. The foregoing indemnity shall apply even if it is determined that the indemnitees' negligence caused such loss, liability or expense, in whole or in part, provided, however, that this indemnity will not apply to any liability arising from a breach of this Agreement by the indemnitees or the gross negligence or willful acts of indemnitees (except to the extent that joint liability is involved, in which event the indemnification provided herein will extend to any finding of comparative or contributory negligence attributable to you). The term "losses and expenses" includes compensatory, exemplary and punitive damages; fines and penalties; attorneys' fees; experts' fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to our reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses. We agree to give you reasonable notice of any event of which we become aware for which indemnification may be required and we may elect (but are not obligated) to direct the defense thereof, provided that the selection of counsel shall be subject to your consent, which consent shall not be unreasonably withheld or delayed. We may, in our reasonable discretion, take such actions as we deem necessary and appropriate to investigate, defend or settle any event or take other remedial or corrective actions with respect thereto as may be necessary for the protection of indemnitees or Lion's Choice Restaurants generally, provided however, that any settlement shall be subject to your consent, which consent shall not be unreasonably withheld or delayed. Further, notwithstanding the foregoing, if the insurer on a policy or policies obtained in compliance with your Franchise Agreement agrees to undertake the defense of an event (an "Insured Event"), we agree not to exercise our right to select counsel to defend the event if such would cause your insurer to deny coverage. We reserve the right to retain counsel to represent us with respect to an Insured Event at our sole cost and expense. This Section 5.02 shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

**5.03 Ownership of the Marks**. You acknowledge that we own the Marks and that you are not granted the right under this Agreement to use the Marks. Your right to use the Marks arises solely from, and is limited to, Franchise Agreements entered into between you and us. You may not use any Mark (or any abbreviation, modification or colorable imitation) as part of any corporate, legal or other business name (other than in connection with any legally required fictitious or assumed name filings), or with any prefix, suffix or other modifying words, terms, designs or symbols, or with the name or other designation of the metropolitan area or city in which the Lion's Choice Restaurant is located, or in any other manner (including any Internet related use such as an electronic media identifier, for websites, web pages or domain names) not explicitly authorized in writing by us. You may not at any time during or after the Term contest, or assist any other person or entity in contesting, the validity or ownership of any of the Marks.

## 6. RESTRICTIVE COVENANTS.

**6.01 Confidential Information**. We will disclose (or will cause to be disclosed) parts of our Confidential Information to you solely for your use in connection with this Agreement. The Confidential Information is proprietary and includes our trade secrets. During the Term and thereafter: (a) you and your Owners may not use the Confidential Information in any other business or capacity (you acknowledge such use is an unfair method of competition); (b) you and your Owners must maintain the confidentiality of the Confidential Information; (c) you and your Owners may not make unauthorized copies, nor permit unauthorized access to, or any portion of the Confidential Information disclosed in written, electronic or other form; and (d) you and your Owners must implement all reasonable procedures we prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information, including the use of nondisclosure agreements with your Owners, officers, directors, Operating Partner, managers, assistant managers, lead bakers and the like, and you and your Owners must deliver such agreements to us. At the end of the Term, you and your Owners must deliver to us all such Confidential Information in your possession or control, except for such information as you are permitted to retain pursuant to Franchise Agreements then in effect. Your restrictions on disclosure and use of Confidential Information do not apply to information or techniques which are or become generally known in the restaurant industry (other than through your own disclosure), provided you obtain our prior written consent to such disclosure or use.

**6.02** **In-Term Covenants**. During the Term, neither you nor any of your Owners may, without our consent (which consent may be withheld at our discretion):

(a) directly or indirectly (such as through an Affiliate or a member of his/her or their Immediate Families) own any direct or indirect legal or beneficial interest in, or provide funding, lease property, render services or give advice to: (1) any Competitive Business located anywhere; or (2) any entity located anywhere that grants franchises, licenses or other interests to others to operate any Competitive Business; or

(b) divert or attempt to divert any business or customer of Lion's Choice Restaurants to any competitor or do anything injurious or prejudicial to the goodwill associated with the Marks or the System.

**6.03** **Information Exchange**. All recipes, processes, ideas, concepts, advertising and promotional materials, website pages and content, methods, techniques or materials used or useful to a restaurant, whether or not constituting protectable intellectual property (collectively, the "Materials"), that you create, or that are created on your behalf, in connection with the development or operation of your Lion's Choice Restaurants must be promptly disclosed to us. If we adopt any of such Materials as part of the System, or deem them to be sufficiently related to us and our business to be considered proprietary, they will be deemed to be our sole and exclusive property and deemed to be Works-made-for-Hire (as such term is defined under Section 101 of the Copyright Act) for us, and to the extent the Materials may for any reason not be considered a Work-made-for-Hire, you irrevocably convey, grant, transfer and assign to us all right, title and interest which you may have now or in the future in and to the Materials. You agree to sign whatever assignment or other documents we request, during and after the Term of this Agreement, to evidence our ownership or to assist us in securing intellectual property rights in the Materials, and you warrant that you will obtain all rights from any third party acting on your behalf to comply with this provision.

## 7. AREA DEVELOPER'S RIGHT TO TRANSFER.

**7.01** **Franchisor's Approval**. Your rights and duties under this Agreement are personal to you and your Owners. Accordingly, neither you nor any of your Owners may Transfer the Development Rights without our prior approval and without complying with the terms and conditions of Section 7. Any such transfer without such approval or compliance constitutes a breach of this

Agreement and is void and of no force or effect. You may not under any circumstances directly or indirectly subfranchise or sublicense any of your rights hereunder.

**7.02** **Conditions for Approval**. If we have not exercised our right of first refusal under Section 7.06, we will not unreasonably withhold our approval of a Transfer of the Development Rights that meets all of the reasonable restrictions, requirements and conditions we impose on the transfer, the transferor(s) and/or the transferee(s), including the following:

(a) you and your Owners and Affiliates must be in compliance with the provisions of this Agreement, all Franchise Agreements executed pursuant hereto and all other agreements with us or any of our Affiliates;

(b) the proposed transferee and its owners must provide us on a timely basis all information we request; the transferee's owners must be individuals acting in their individual capacities who are of good character and reputation; and the transferee and its owners must have sufficient business experience, aptitude and financial resources to develop Lion's Choice Restaurants pursuant to this Agreement, and must otherwise meet our then-current standards for approval;

(c) the proposed transferee may not be an entity, or be affiliated with an entity, that is required to comply with the reporting and information requirements of the Securities Exchange Act of 1934, as amended;

(d) the transferee (and its owners) must agree to be bound by all of the provisions of this Agreement for the remainder of the Term;

(e) the transferee must acquire, in a concurrent transaction, all of your rights and the rights of your Owners and Affiliates under all agreements between you or your Affiliates and us or our Affiliates, including all Franchise Agreements for Lion's Choice Restaurants executed by you or your Owners or Affiliates pursuant to this Agreement or pursuant to any other development or similar agreement with us;

(f) you or the transferee must pay us a transfer fee in an amount equal to Seven Thousand Five Hundred Dollars ($7,500.00), plus costs, plus Seven Thousand Five Hundred Dollars ($7,500.00) for each Lion's Choice Restaurant for which a Franchise Agreement has been executed pursuant hereto (as required under the terms of such Franchise Agreements), plus any transfer fee required by any other agreement between you or your Affiliates and us or our Affiliates;

(g) you and your Owners and Affiliates must, except to the extent limited or prohibited by applicable law, execute a general release, in form and substance satisfactory to us, of any and all claims against us, our Affiliates and shareholders, members, managers, officers, directors, employees, agents, successors and assigns;

(h) we must not have disapproved the material terms and conditions of such transfer (including price, terms of payment and financing) on the basis that they are so burdensome as to be likely, in our reasonable judgment, to adversely affect the transferee's operation of Lion's Choice Restaurants or its compliance with its franchise agreements, any area development agreements and any other agreements being transferred;

(i) if you (or any of your Owners or Affiliates) finance any part of the sale price of the transferred interest, you and/or your Owners or Affiliates must agree that all obligations of the transferee, and security interests reserved by any of them in the assets transferred, will be subordinate to the transferee's obligations to pay all amounts due us and our Affiliates and to otherwise comply with this Agreement, any Franchise Agreement being transferred or any franchise agreement to be executed by the transferee;

(j) you and your Owners must execute a noncompetition covenant, in form and substance satisfactory to us, in favor of us and the transferee agreeing that, for a period of two (2) years, starting on the effective date of the transfer, you and your Owners will not directly or indirectly (such as through an Affiliate or a member of his/her or their Immediate Families) own any direct or indirect legal or beneficial interest in, or provide funding, lease property, render services or give advice to: (i) any Competitive Business that is operating within the Development Area; (ii) any Competitive Business that is operating within a five (5)-mile radius of any Lion's Choice Restaurant in operation or under construction as of the effective date of such transfer; or (iii) any entity that grants franchises, licenses or other interests to others to operate any Competitive Business;

(k) you and your Owners and Affiliates must execute such other documents and do such other things as we reasonably require to protect our rights under this Agreement, any Franchise Agreements and any other agreements being transferred.

**7.03** **Effect of Approval.** Our approval of a Transfer of the Development Rights does not constitute: (a) a representation as to the fairness of the terms of any agreement or arrangement between you or your Owners and the transferee or as to the prospects for success by the transferee; or (b) a release of you and your Owners, a waiver of any claims against you or your Owners or a waiver of our right to demand the transferee's compliance with this Agreement. Any approval shall apply only to the specific Transfer of the Development Rights being proposed and shall not constitute our approval of, or have any bearing on, any other proposed Transfer of the Development Rights.

**7.04** **Special Transfers.** Section 7.02(f) shall not apply to any Transfer of the Development Rights among any of your then-current Owners or to any Transfer of the Development Rights to any member of your Immediate Family or the Immediate Family of a then-current Owner of Area Developer. None of the foregoing assignments shall relieve you or your Principal Owners of your obligations hereunder, and you and your Principal Owners shall remain jointly and severally liable for all obligations hereunder.

**7.05** **Death or Disability of Area Developer.** Upon the death or permanent disability of your Operating Partner or an Owner of a controlling interest in Area Developer, the executor, administrator, or other personal representative of such person shall transfer his/her interest in Area Developer to a third party approved by us in accordance with all of the applicable provisions of Section 7 within a reasonable period of time, not to exceed nine (9) months from the date of death or permanent disability.

**7.06** **Franchisor's Right of First Refusal.** If you or any of your Owners desires to Transfer the Development Rights for legal consideration (e.g., excluding gifts, testamentary dispositions, etc.), you or such Owner(s) must obtain a *bona fide,* executed written offer from a responsible and fully disclosed purchaser (which must contain a confidentiality covenant by you and the prospective buyer to which we shall be an intended third party beneficiary) and must deliver immediately to us a complete and accurate copy of such offer as well as due diligence information we may request. If the offeror proposes to buy any other property or rights from you or any of your Owners or Affiliates (other than rights under area development and franchise agreements for Lion's Choice Restaurants) as part of the *bona fide* offer, the proposal for such property or rights must be set forth in a separate, contemporaneous offer that is fully disclosed to us, and the price and terms of purchase offered to you or your Owners for the Transfer of the Development Rights must reflect the *bona fide* price offered therefor and not reflect any value for any other property or rights.

We have the option, exercisable by notice delivered to you or your Owners within thirty (30) days from the date of delivery of a complete and accurate copy of such offer to us (as well as having been provided the requested due diligence information), to purchase such interest for the price contained in such offer, provided that: (a) we may substitute cash for any form of payment proposed in such offer; (b) our credit shall be deemed equal to the credit of any proposed purchaser; (c) we shall have not less than ninety (90) days from the option exercise date to consummate the transaction; and (d) we shall not be required to pay deposits (such as earnest money) or to escrow funds prior to closing. We have the right to investigate and analyze the business, assets and liabilities and all other matters we deem necessary or desirable in order to make an informed investment decision with respect to the fairness of the terms of purchase. We may conduct such investigation and analysis in any manner we deem reasonably appropriate, and you and your Owners must cooperate fully with us in connection therewith.

If we exercise our option to purchase, we are entitled to purchase such interest subject to our form of asset purchase agreement with all representations and warranties, closing documents, releases, non-competition covenants and indemnities as we reasonably may require. If we do not exercise our option to purchase, you or your Owners may complete the sale to such offeror pursuant to and on the exact terms of such offer, subject to our approval of the transfer as provided in Sections 7.01 and 7.02, provided that if the sale to such offeror is not completed within ninety (90) days after delivery of such offer to us, or if there is a change in the price or any material terms of the offer, you must promptly notify us and we shall have an additional option to purchase (at the price of the revised offer, if any, and otherwise as set forth herein) during the thirty (30)-day period following your notification of the expiration of the ninety (90)-day period or the material change to the terms of the offer.

**7.07 Securities Offerings.** Neither you nor any of your Owners may issue or sell, or offer to issue or sell, any of your securities or any securities of any of your Affiliates, regardless of the means by which such sale is conducted, directly or indirectly, or by operation of law (including by merger, consolidation, reorganization or otherwise) without obtaining our prior consent and complying with all of our requirements and restrictions concerning use of information about us and our Affiliates. Notwithstanding the foregoing, neither you nor any of your Owners may issue or sell your securities or the securities of any of your Affiliates if: (1) such securities would be required to be registered pursuant to the Securities Act of 1933, as amended; or (2) after such issuance or sale, you or such Affiliate would be required to comply with the reporting and information requirements of the Securities Exchange Act of 1934, as amended. Any memorandum or other communications circulated in connection with any solicitation of offers to purchase that would require our consent to Transfer the Franchise (through whatever form of transaction, whether through direct or indirect sale of assets or securities, by operation of law or otherwise), and such offering, must be approved by us.

## 8. **TERMINATION OF THE AGREEMENT.**

**8.01 Immediate Termination.** You are in material breach of this Agreement, and this Agreement will automatically terminate without notice, at our discretion, if you become insolvent by reason of your inability to pay your debts as they mature; if you are adjudicated bankrupt or insolvent; if you file a petition in bankruptcy, reorganization or similar proceeding under the bankruptcy laws of the United States or have such a petition filed against you, which is not discharged within thirty (30) days; if a receiver or other custodian, permanent or temporary, is appointed for your business, assets or property; if you request the appointment of a receiver or make a general assignment for the benefit of creditors; if a final judgment against you in the amount of Fifty Thousand Dollars ($50,000.00) or more remains unsatisfied of record for thirty (30) days or longer; if your bank accounts, property or accounts receivable are attached; if execution is levied against your business or property; if suit is filed to foreclose any lien or mortgage against any of your assets and such suit is not dismissed within thirty (30) days; or if you voluntarily dissolve or liquidate or have a petition filed for corporate or partnership dissolution and such petition is not dismissed within thirty (30) days; or if your assets, property or interest are "blocked' under any law, ordinance or regulation relating to terrorist activities or if you are otherwise in violation of any such law, ordinance or regulation.

**8.02 Termination Upon Notice**. In addition to our right to terminate pursuant to other provisions of this Agreement or under applicable law, we may terminate this Agreement, effective upon delivery of notice of termination to you if you or any of your Principal Owners or Affiliates:

(a) fail to meet any part of the Development Schedule;

(b) make an unauthorized Transfer of the Development Rights or fail to Transfer the Development Rights or the interest of a deceased or disabled Owner as required hereby;

(c) make any material misstatement or omission in your franchise application or in any other written information provided to us;

(d) are convicted of, or plead no contest to, a felony or other crime or offense that we reasonably believe may adversely affect the System or the goodwill associated with the Marks;

(e) make any unauthorized use or disclosure of the Confidential Information;

(f) fail to comply with any other provision of this Agreement and do not correct such failure within thirty (30) days after written notice of such failure to comply is delivered to you;

(g) are in breach of any Franchise Agreement such that we have the right to terminate the Franchise Agreement, whether or not we elect to exercise our right to terminate the Franchise Agreement;

(h) are in breach of any other agreement between you or any of your Affiliates and us or any of our Affiliates such that we have a right to terminate any such agreement, whether or not we elect to exercise our right to terminate such agreement; or

(i) if we determine that any applicable federal or state statute, regulation, rule or law, which is enacted, promulgated or amended after the date hereof, may have a material adverse effect on our rights, remedies or discretion in franchising Lion's Choice Restaurants.

The development fee shall be fully earned by us upon execution of this Agreement for administrative and other expenses incurred by us and for the development opportunities lost or deferred as a result of the rights granted to you herein. We have no obligation whatsoever to refund any portion of the development fee upon any termination, except that we will refund the unapplied portion of the development fee in the event of a termination pursuant to Section 8.02(i).

## 9. EFFECT OF TERMINATION AND EXPIRATION.

**9.01 Continuing Obligations**. All obligations under this Agreement, which expressly or by their nature survive the expiration or termination of this Agreement, shall continue in full force and effect until they are satisfied in full or by their nature expire.

**9.02 Post-Term Covenants**. For a period of two (2) years, starting on the effective date of termination or expiration, neither you nor any of your Owners directly or indirectly (such as through an Affiliate or through your or their Immediate Families) shall own a direct or indirect legal or beneficial interest in, or provide funding, lease property, render services or give advice to: (i) any Competitive Business operating within the Development Area; (ii) any Competitive Business operating within a radius of five (5) miles of any Lion's Choice Restaurant in operation or under construction on the effective date of termination or expiration; or (iii) any entity that grants franchises or licenses interests to others to operate any Competitive Business.

You and each of your Owners expressly acknowledge the possession of skills and abilities of a general nature and other opportunities for exploiting such skills in other ways, so that enforcement of the covenants contained in this Section 9.029.02 will not deprive any of you of your personal goodwill or ability to earn a living. If you or any of your Owners fail or refuse to abide by any of the foregoing covenants and we obtain enforcement in a judicial or arbitration proceeding, the obligations under the breached covenant will be tolled during the period(s) of time that the covenant is breached and/or we seek to enforce it and will continue in effect for a period of time ending two (2) years after the date of the order enforcing the covenant.

## 10. GOVERNING LAW AND DISPUTE RESOLUTION.

**10.01 Governing Law**. This Agreement shall be construed under the laws of the State of Missouri, provided the foregoing shall not constitute a waiver of your rights under any applicable franchise law of another state. Otherwise, in the event of any conflict of law Missouri law will prevail, without regard to its conflict of law principles. However, if any provision of this Agreement would not be enforceable under Missouri law, and if the Development Area is predominantly located outside of Missouri and such provision would be enforceable under the laws of the state in which the Development Area is predominantly located, then such provision shall be construed under the laws of that state. Nothing in this Section 10.01 is intended to subject this Agreement to any franchise or similar law, rule or regulation of the State of Missouri or any other state or political subdivision to which it otherwise would not be subject.

**10.02 Jurisdiction**. You and your Owners irrevocably submit to the jurisdiction of the courts of the State of Missouri in any suit, action or proceeding, arising out of or relating to this Agreement or any other dispute between you and us, and you irrevocably agree that all claims in respect of any such suit, action or proceeding must be brought and/or defended therein except with respect to matters that are under the jurisdiction of the Federal Courts of the United States, which shall be brought and/or defended in the Federal District Court sitting in St. Louis, Missouri. You irrevocably waive, to the fullest extent you may lawfully do so, the defense of an inconvenient forum to the maintenance of such suit, action or proceeding and agree that service of process for purposes of any such suit, action or proceeding need not be personally served or served within the State of Missouri but may be served with the same effect as if you were served within the State of Missouri, by certified mail or any other means permitted by law addressed to you at the address set forth herein. Nothing contained herein shall affect our rights to bring a suit, action or proceeding in any other appropriate jurisdiction, including any suit, action or proceeding brought by us to enforce any judgment against you entered by a State or Federal Court.

**10.03** **Attorneys' Fees.** In any judicial proceeding, the non-prevailing party agrees to reimburse the prevailing party for all of the prevailing party's costs and expenses, including reasonable accounting, paralegal, expert witness and attorneys' fees.

**10.04** **Injunctive Relief**. Notwithstanding the provisions of Section 10.02, we may obtain in any court of competent jurisdiction any preliminary relief, including temporary restraining orders and preliminary injunctions, against conduct or threatened conduct for which no adequate remedy at law may be available or which may cause us irreparable harm. We may have such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and your sole remedy in the event of the entry of such injunction, shall be its dissolution, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived). You and each of your Owners acknowledges that any violation of Sections 6, 7.02(j) or 9.02 would result in irreparable injury to us for which no adequate remedy at law may be available. Accordingly, you and each of your Owners consent to the issuance of an injunction at our request prohibiting any conduct in violation of any of those Sections and agree that the existence of any claim you or any of your Owners may have against us, whether arising from this Agreement, shall not constitute a defense to the enforcement of any of those Sections.

**10.05** **Limitations on Legal Actions**. Except with respect to your obligations regarding use of the Marks in Section 5 and the Confidential Information in Section 6.01, Franchisor and Area Developer (and its Owners) each waives, to the fullest extent permitted by law, any right to or claim for any punitive or exemplary damages against the other. You and each of your Owners waive, to the fullest extent permitted by applicable law, the right to recover consequential damages (including lost future profits) for any claim directly or indirectly arising from or relating to this Agreement.

You agree that, for our franchise system to function properly, we should not be burdened with the costs of litigating system-wide disputes. Accordingly, any disagreement between you (and your Owners) and us shall be considered unique as to its facts and shall not be brought as a class action, and you (and each of your Owners) waive any right to proceed against us or any of our Affiliates, shareholders, members, managers, officers, directors, employees, agents, successors and assigns by way of class action, or by way of a multi-plaintiff, consolidated or collective action. In any legal action between the parties, the court shall not be precluded from making its own independent determination of the issues in question, notwithstanding the similarity of issues in any other legal action involving us and any other area developer, and each party waives the right to claim that a prior disposition of the same or similar issues precludes such independent determination.

Furthermore, the parties agree that in the event any legal action is filed in connection with this Agreement, such action shall be tried to the court sitting without a jury, and all parties hereto waive any right to have any action tried by jury.

**10.06** **<u>Survival</u>**. The provisions of this <u>Section 10</u> shall continue in full force and effect subsequent to and notwithstanding expiration or termination of this Agreement.

## 11. <u>MISCELLANEOUS</u>.

**11.01** **<u>Severability and Substitution of Provisions</u>**. Every part of this Agreement shall be considered severable. If for any reason any part of this Agreement is held to be invalid, that determination shall not impair the other parts of this Agreement. If any covenant herein, which restricts competitive activity, is deemed unenforceable by virtue of its scope or in terms of geographic area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, you and we agree that it will be enforced to the fullest extent permissible under applicable law and public policy.

If any applicable law requires a greater prior notice of the termination than is required hereunder, a different standard of "good cause" to terminate this Agreement or the taking of some other action not required hereunder, the prior notice, the "good cause" standard and/or the other action required by such law shall be substituted for the comparable provisions hereof. If any provision of this Agreement is invalid or unenforceable under applicable law, we have the right, in our sole discretion, to modify such invalid or unenforceable provision to the extent required to make it valid and enforceable.

**11.02** **<u>Waiver of Obligations</u>**. You and we may by written instrument unilaterally waive or reduce any obligation of the other under this Agreement. Any such waiver granted shall be without prejudice to any other rights the waiving party may have, will be subject to continuing review by such party and may be revoked, in such party's sole discretion, at any time and for any reason, effective upon delivery to the other party of ten (10) days' prior notice. You and we shall not be deemed to have waived any right reserved by this Agreement or be deemed to have modified this Agreement by virtue of any custom or practice of the parties at variance with it.

**11.03** **<u>Exercise of Rights</u>**. Except as otherwise expressly provided herein, the rights of Franchisor and Area Developer hereunder are cumulative and no exercise or enforcement by Franchisor or Area Developer of any right or remedy hereunder shall preclude the exercise or enforcement by Franchisor or Area Developer of any other right or remedy hereunder, which Franchisor or Area Developer is entitled to enforce by applicable law. Notwithstanding the foregoing, and except as otherwise prohibited or limited by applicable law, any failure, neglect, or delay of a party to assert any breach or violation of any legal or equitable right arising from or in connection with this Agreement, shall constitute a waiver of such right and shall preclude the exercise or enforcement of any legal or equitable remedy arising therefrom, unless written notice specifying such breach or violation is provided to the other party within twenty four (24) months after the later of: (a) the date of such breach or violation; or (b) the date of discovery of the facts (or the date the facts could have been discovered, using reasonable diligence) giving rise to such breach or violation.

**11.04** **<u>Successors and Assigns</u>.** This Agreement is binding on the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest. This Agreement is fully transferable and assignable by us, whether by operation of law or otherwise (without notice to you, or approval by you), and shall inure to the benefit of any transferee or other legal successor to our interest herein.

**11.05** **Construction**. The language of this Agreement shall be construed according to its fair meaning and not strictly against any party. The introduction, personal guarantees, exhibits and riders (if any) to this Agreement are a part of this Agreement, which constitutes the entire agreement of the parties with respect to the subject matter hereof. Except as otherwise expressly provided herein, there are no other oral or written agreements, understandings, representations or statements between us and you relating to the subject matter of this Agreement, other than our franchise disclosure document, that either party may or does rely on or that will have any force or effect. Nothing in this Agreement is intended or shall be deemed to confer any rights or remedies on any person or legal entity not a party hereto. This Agreement shall not be modified except by written agreement signed by both parties. Time is of the essence in this Agreement.

To facilitate the execution of this Agreement by geographically separated parties, it may be executed in two or more counterparts, all of which shall constitute one agreement. The execution by one party of any counterpart shall be sufficient execution by that party whether or not the same counterpart has been executed by any other party. This Agreement shall become effective when each party has signed at least one counterpart. All facsimile, scanned or electronic executions (e.g., DocuSign) shall be treated as originals for all purposes.

The headings of the Sections are for convenience only and do not limit or construe their contents. The term "including" shall be construed to include the words "without limitation." The term "Area Developer" or "you" is applicable to one or more persons, a corporation, limited liability company or a partnership and its owners, as the case may be. If two or more persons are at any time Area Developer hereunder, whether as partners, joint venturers or otherwise, their obligations and liabilities to us shall be joint and several. References to a controlling interest in an entity shall mean more than fifty percent (50%) of the equity or voting control of such entity.

**11.06** **Approvals and Consents.** Whenever this Agreement requires the approval or consent of either party, the other party shall make written request therefor, and such approval or consent shall be obtained in writing; provided however, unless specified otherwise in this Agreement, such party may withhold approval or consent, for any reason or no reason at all. Furthermore, unless specified otherwise in this Agreement, no such approval or consent shall be deemed to constitute a warranty or representation of any kind, express or implied, and the approving or consenting party shall have no responsibility, liability or obligation arising therefrom.

**11.07** **Notices**. All notices, requests and reports permitted or required to be made by the provisions of this Agreement shall be in writing and shall be deemed delivered: (a) at the time delivered by hand to the recipient party or any officer, director or partner of the recipient party; (b) one (1) business day after transmission by facsimile, or other electronic system, if the sender has confirmation of successful transmission, or the same day it is sent by facsimile or email if the sender has a confirmation of receipt on that same day; (c) one (1) business day after being placed in the hands of a commercial courier service for guaranteed overnight delivery; or (d) five (5) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid. Such notices, requests and reports shall be sent to the addresses identified in this

Agreement unless and until a different address has been designated by appropriate written notice to the other party.

**11.08** **Receipt of Franchise Disclosure Document and Agreement**. You acknowledge having received our franchise disclosure document and this Agreement, with all blanks completed, within the time periods required by applicable law.

**[SIGNATURE PAGE FOLLOWS]**

**IN WITNESS WHEREOF,** the parties have executed and delivered this Agreement on the day and year first above written.

| | |
|---|---|
| **FRANCHISOR** | **AREA DEVELOPER** |
| **LC FRANCHISOR, LLC**, | ______________________________ |
| a Delaware limited liability company | **a** ____________________________ |
| By: ____________________________ | By: ____________________________ |
| Print Name: ______________________ | Print Name: ______________________ |
| Title: ___________________________ | Title: ___________________________ |

## EXHIBIT A

## TO THE AREA DEVELOPMENT AGREEMENT
## BETWEEN [LION'S CHOICE]
## AND
## ___________________
## DATED _____, ___

1. The Term expires on , .

2. Development Area. The Development Area is the geographic area described as follows and shown on the map attached hereto as Exhibit A-1:

______________________________________________________________________
______________________________________________________________________
______________________________________________________________________

Political boundaries described above shall be considered fixed as of the date of this Agreement and shall not change for the purpose hereof, notwithstanding a political reorganization or change to such boundaries or regions. All street boundaries shall be deemed to end at the street center line unless otherwise specified above.

3. Development Schedule. You and your Affiliates must have open and in operation in the Development Area, pursuant to Franchise Agreements, that cumulative number of Lion's Choice Restaurants set forth below as of each of the following dates:

| **Cumulative Number of Lion's Choice Restaurants** | **Date** |
|---|---|
| ______________________________ | ____________ |
| ______________________________ | ____________ |
| ______________________________ | ____________ |
| ______________________________ | ____________ |
| ______________________________ | ____________ |

For purposes hereof, no Lion's Choice Restaurants that are open and operating as of the date of this Agreement shall be counted for purposes of the Development Schedule. In addition, a Lion's Choice Restaurant that is permanently closed after having been opened, other than as a result of noncompliance by you with the terms of the applicable Franchise Agreement, shall be deemed open for a period of six (6) months after the last day it was open for business, provided that: (i) during such period of time, you continuously and diligently take such actions as may be required to develop and open a substitute Lion's Choice Restaurant within the Development Area pursuant to a new Franchise Agreement therefor; and (ii) by the end of such period you have the substitute Lion's Choice Restaurant open and operating in compliance with the Franchise Agreement therefor.

**EXHIBIT A**
(continued)

4. The development fee shall be $___________ and is determined by multiplying Five Thousand Dollars ($5,000.00) by the total number of Franchise Agreements to be entered into pursuant to this Agreement.

| | |
|---|---|
| **FRANCHISOR** | **AREA DEVELOPER** |
| **LC FRANCHISOR, LLC**, | ___________________________________ |
| a Delaware limited liability company | **a** ________________________________ |
| By: ______________________________ | By: ______________________________ |
| Print Name: _______________________ | Print Name: _______________________ |
| Title: ____________________________ | Title: ____________________________ |

**EXHIBIT A-1**

**MAP OF DEVELOPMENT AREA**

(attach)

**EXHIBIT B**

**TO THE AREA DEVELOPMENT AGREEMENT BETWEEN**
**LC FRANCHISOR, LLC**
**AND**

**________________________________________**
**DATED _________________, ___________**

1. Operating Partner. The name and home address of the Operating Partner is as follows:

______________________________________
______________________________________

2. Form of Entity of Area Developer.

(a) Corporation or Limited Liability Company. Area Developer was organized on ____________, ________ under the laws of the State of _______________. Its Federal Identification Number is __________________. It has not conducted business under any name other than its corporate or company name. The following is a list of all of Area Developer's directors and officers or managing members as of _________, ___ 201__.

| Name of Each Director/Officer/Managing Member | Position(s) Held |
| --- | --- |
| ____________________________________ | ___________________ |
| ____________________________________ | ___________________ |
| ____________________________________ | ___________________ |
| ____________________________________ | ___________________ |

(b) Partnership. Area Developer is a [general] [limited] partnership formed on ____________, ________ under the laws of the State of ___________________. Its Federal Identification Number is ________________________. It has not conducted business under any name other than its partnership name. The following is a list of all of Area Developer's general partners as of the date of the Agreement.

Name of Each General Partner

_______________________________

_______________________________

_______________________________

_______________________________

3. Owners. Area Developer and each of its Owners represents and warrants that the following is a complete and accurate list of all Owners of Area Developer, including the full name and mailing address of each Owner, and fully describes the nature and extent of each Owner's interest in Area Developer. Area Developer and each Owner as to his/her ownership interest, represents and warrants that each Owner is the sole and exclusive legal and beneficial owner of his/her ownership interest in Area Developer, free and clear of all liens, restrictions, agreements and encumbrances of any kind or nature, other than those required or permitted by this Agreement.

| Owner's Name and Address | Percentage and Nature of Ownership Interest |
|---|---|
| ______________________________ | ______________________________ |
| ______________________________ | ______________________________ |
| ______________________________ | ______________________________ |
| ______________________________ | ______________________________ |
| ______________________________ | ______________________________ |

Submitted by Area Developer Accepted by Franchisor and made a part of the Area Development Agreement as of ____________.

LC FRANCHISOR, LLC,
a Delaware limited liability company

By: ______________________________
Print Name: ______________________________
Title: ______________________________

Accepted by Franchisor and Submitted by Area Developer on ________________________.

______________________________
**a** ______________________________

By: ______________________________
Print Name: ______________________________
Title: ______________________________

**EXHIBIT C**

**PRINCIPAL OWNERS' PERSONAL GUARANTY OF AREA DEVELOPER'S OBLIGATIONS ("Guaranty")**

In consideration of, and as an inducement to, the execution of the Lion's Choice, LLC Area Development Agreement dated as of _______, ___ (the "Agreement") by and between LC FRANCHISOR, LLC ("Franchisor"), and _______________ ("Area Developer"), each of the undersigned Principal Owners of a ten percent (10%) or greater interest in Area Developer hereby personally and unconditionally: (1) guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that Area Developer shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement (and any amendments) and that each and every representation of Area Developer made in connection with the Agreement (and any amendments) are true, correct and complete in all respects at and as of the time given; and (2) agrees personally to be bound by each and every provision in the Agreement (and any amendments).

Each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right that the undersigned may have to require that an action be brought against Area Developer or any other person as a condition of liability; (e) notice of any amendment to the Agreement; and (f) any and all other notices and legal or equitable defenses to which that the undersigned may be entitled.

Each of the undersigned consents and agrees that: (i) that the undersigned's direct and immediate liability under this guaranty shall be joint and several; (ii) that the undersigned shall render any payment or performance required under the Agreement upon demand if Area Developer fails or refuses to do so punctually; (iii) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Area Developer or any other person; and (iv) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Area Developer or to any other person including the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable until satisfied in full.

The undersigned irrevocably submits to the jurisdiction of the courts of the State of Missouri in any suit, action or proceeding, arising out of or relating to this Guaranty or any other dispute between the undersigned and Franchisor, and the undersigned irrevocably agrees that all claims in respect of any such suit, action or proceeding must be brought and/or defended therein except with respect to matters that are under the jurisdiction of the Federal Courts of the United States, which shall be brought and/or defended in the Federal District Court sitting in St. Louis, Missouri. The undersigned irrevocably waives, to the fullest extent he/she may lawfully do so, the defense of an inconvenient forum to the maintenance of such suit, action or proceeding and agree that service of process for purposes of any such suit, action or proceeding need not be personally served or served within the State of Missouri but may be served with the same effect as if the undersigned were served within the State of Missouri, by certified mail or any other means permitted by law addressed to the undersigned at the address set forth herein. Nothing contained herein shall affect Franchisor's rights to bring a suit, action or proceeding in any other appropriate jurisdiction, including any suit, action or proceeding brought by Franchisor to enforce any judgment against the undersigned entered by a State or Federal Court. In a judicial or arbitration proceeding, the non-prevailing party agrees to reimburse the prevailing party for all of the prevailing party's costs and expenses, including reasonable accounting, paralegal, expert witness and attorneys' fees.

The undersigned acknowledges and agrees that Franchisor may obtain in any court of competent jurisdiction any preliminary relief, including temporary restraining orders and preliminary injunctions, against conduct or threatened conduct for which no adequate remedy at law may be available or which may cause irreparable harm. Such injunctive relief may be obtained without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy in the event of the entry of such injunction, shall be its dissolution, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived). The undersigned acknowledges that any violation of Sections 6, 7.02(j) or 9.02 of the Agreement would result in irreparable injury for which no adequate remedy at law may be available. Accordingly, the undersigned consents to the issuance of an injunction prohibiting any conduct in violation of any of those Sections and agrees that the existence of any claim shall not constitute a defense to the enforcement of any of those Sections.

Furthermore, the undersigned agree that any legal action in connection with this Agreement shall be tried to the court sitting without a jury, and all parties hereto waive any right to have any action tried by jury.

**IN WITNESS WHEREOF**, each of the undersigned has hereunto affixed his/her signature as of the _____ day of ___________________, ________.

| **PERCENTAGE OF OWNERSHIP INTERESTS IN AREA DEVELOPER** | **GUARANTOR(S)** |
|---|---|
| ________________________ | ________________________<br>(Signature) |
| | ________________________<br>(Print Name) |
| ________________________ | ________________________<br>(Signature) |
| | ________________________<br>(Print Name) |

**EXHIBIT C**
**(continued)**

________________________________________

(Signature)

(Print Name)

________________________________________

(Signature)

(Print Name)

Subscribed and sworn to before me this __ day of _______, ___.

Notary Public
My Commission expires: ________________

**EXHIBIT D**

**INVESTOR PERSONAL COVENANTS REGARDING CONFIDENTIALITY, NON-COMPETITION AND NON-SOLICIT**

In conjunction with your investment in __________ ("Area Developer") a ______________, you ("Investor" or "you"), acknowledge and agree as follows:

1. Area Developer owns and operates, or is developing, Lion's Choice Restaurants pursuant to an area development agreement dated ____________________, _________ ("Area Development Agreement") with LC FRANCHISOR, LLC ("Franchisor"), which Area Development Agreement requires persons with legal or beneficial ownership interests in Area Developer under certain circumstances to be personally bound by the confidentiality and noncompetition covenants contained in the Area Development Agreement. All capitalized terms contained herein shall have the same meaning set forth in the Area Development Agreement.

2. You own or intend to own a legal or beneficial ownership interest in Area Developer and acknowledge and agree that your execution of this Agreement is a condition to such ownership interest and that you have received good and valuable consideration for executing this Agreement. Franchisor may enforce this Agreement directly against you and your Owners (as defined below).

3. If you are a corporation, partnership, limited liability company or other entity, all persons who have a legal or beneficial interest in you ("Owners") must also execute this Agreement.

4. You and your Owners, if any, may gain access to parts of Franchisor's Confidential Information as a result of investing in Area Developer. The Confidential Information is proprietary and includes Franchisor's trade secrets. You and your Owners hereby agree that while you and they have a legal or beneficial ownership interest in Area Developer and thereafter you and they: (a) will not use the Confidential Information in any other business or capacity (such use being an unfair method of competition); (b) will maintain the confidentiality of the Confidential Information; and (c) will not make unauthorized copies of any portion of the Confidential Information disclosed in written, electronic or other form. If you or your Owners cease to have an interest in Area Developer, you and your Owners, if any, must deliver to Franchisor any such Confidential Information in your or their possession or control.

5. During the term of the Area Development Agreement and during such time as you and your Owners, if any, have any legal or beneficial ownership interest in Area Developer, you and your Owners, if any, agree that you and they will not, without Franchisor's consent (which consent may be withheld at Franchisor's discretion) directly or indirectly (such as through an Affiliate or through your or their Immediate Families) own any direct or indirect legal or beneficial interest in, or provide funding, lease property, render services or give advice in connection with: (a) any Competitive Business located anywhere; or (b) any entity located anywhere that grants franchises or licenses interests to others to operate any Competitive Business.

6. For a period of two (2) years, starting on the earlier to occur of the date you or your Owners cease to have any legal or beneficial ownership interest in Area Developer and the effective date of termination or expiration of the Area Development Agreement, neither you nor any of your Owners directly or indirectly (such as through an Affiliate or through your or their Immediate Families) shall

own directly or indirectly a direct or indirect legal or beneficial interest in, provide funding, lease property, or render services or give advice to: (a) any Competitive Business operating within a radius of five (5) miles of any Lion's Choice Restaurant then in operation or under construction; or (b) any entity that grants franchises or licenses other interests to others to operate any Competitive Business. If you or any of your Owners fail to or refuse to abide by any of the foregoing covenants and Franchisor obtains enforcement in a judicial or arbitration proceeding, the obligations under the breached covenant will be tolled during the period(s) of time that the covenant is breached and/or we seek to enforce it and will continue in effect for a period of time ending two (2) years after the date of the order enforcing the covenant.

7. You and each of your Owners expressly acknowledge the possession of skills and abilities of a general nature and the opportunity to exploit such skills in other ways, so that enforcement of the covenants contained in Sections 5 and 6 will not deprive any of you of your personal goodwill or ability to earn a living. If any covenant herein, which restricts competitive activity, is deemed unenforceable by virtue of its scope or in terms of geographic area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, you and Franchisor agree that it will be enforced to the fullest extent permissible under applicable law and public policy. Franchisor may obtain in any court of competent jurisdiction any injunctive relief, including temporary restraining orders and preliminary injunctions, against conduct or threatened conduct for which no adequate remedy at law may be available or which may cause it irreparable harm. You and each of your Owners acknowledges that any violation of Sections 4, 5, or 6 hereof would result in irreparable injury for which no adequate remedy at law may be available. If Franchisor files a claim to enforce this Agreement and prevails in such proceeding, you agree to reimburse Franchisor for all its costs and expenses, including reasonable attorneys' fees.

IN WITNESS WHEREOF, the undersigned have executed and delivered this Agreement on the ___ day of __________, ______.

**INVESTOR**
If an Individual:

______________________________
(Signature)

______________________________
(Print Name)

If a corporation, partnership, limited liability company or other legal entity:

______________________________
(Name of corporation, partnership, limited liability company or other legal entity)

By:______________________________
Print Name:______________________________
Title:______________________________

**OWNERS**

By:______________________________
Print Name:______________________________

**EXHIBIT D**
**(continued)**

By:____________________________________
Print Name:______________________________

By:____________________________________
Print Name:______________________________

By:____________________________________
Print Name:______________________________

# EXHIBIT B

# FRANCHISE AGREEMENT

# LION'S CHOICE

# FRANCHISE AGREEMENT

____________________________________

FRANCHISEE

____________________________________

RESTAURANT LOCATION

____________________________________

DATE OF AGREEMENT

**LION'S CHOICE**
**FRANCHISE AGREEMENT**

**Page**

# LION'S CHOICE
# FRANCHISE AGREEMENT

This Franchise Agreement (this "Agreement") is made as of this ______ day of ____________, _____, between LC Franchisor, LLC ("Franchisor", "we", "us" or "Lion's Choice"), a Delaware limited liability company, with its principal place of business located at 12977 North Forty Drive, Suite 100, St. Louis, MO 63141, and ____________________________________________________________ ("Franchisee" or "you"), a(n) ____________________________________________, whose principal address is ______________________________________________________________________.

## 1. INTRODUCTION.

**1.01. Lion's Choice Restaurants**. We own, operate and franchise Lion's Choice Restaurants, specializing in slow-roasted roast beef sandwiches as well as other menu items and merchandise related to the Lion's Choice concept, as we may authorize from time to time. We have developed and own a comprehensive system for developing and operating Lion's Choice Restaurants, which includes trademarks, building designs and layouts, equipment, recipes, ingredients, methods of preparation and specifications for authorized food products, methods of inventory control, training programs and certain operational and business standards and policies, all of which we may improve, further develop or otherwise modify from time to time.

**1.02. Your Acknowledgments**. You have read this Agreement and our franchise disclosure document. You understand the terms of this Agreement and accept them as being reasonably necessary to maintain the uniformity of our high quality standards at all Lion's Choice Restaurants in order to protect and preserve the goodwill of the Marks and the integrity of the System. You have conducted an independent investigation of the business contemplated by this Agreement and recognize that the restaurant industry is highly competitive, with constantly changing market conditions. You recognize that the nature of Lion's Choice Restaurants may change over time, that an investment in a Lion's Choice Restaurant involves business risks and that the success of the venture is largely dependent on your own business abilities, efforts and financial resources.

**1.03. Your Representations**. You and your Principal Owners, jointly and severally, represent and warrant to us that: (a) neither you nor any of your Principal Owners has made any untrue statement of any material fact or has omitted to state any material fact in the written information you have submitted to us in obtaining the rights granted hereunder; (b) neither you nor any of your Owners has any direct or indirect legal or beneficial interest in any business that may be deemed a Competitive Business, except as you have otherwise completely and accurately disclosed in writing to us in connection with obtaining the rights granted hereunder; and (c) the execution and performance of this Agreement will not violate any other agreement to which you or any of your Owners may be bound. You recognize that we have executed this Agreement in reliance on all of the statements you and your Owners have made in writing in connection with the rights granted under this Agreement.

**1.04. Certain Definitions**. The terms listed below have the meanings which follow them and include the plural as well as the singular. Other terms are defined elsewhere in this Agreement in the context in which they arise.

"Affiliate" – Any person or entity that directly or indirectly owns or controls the referenced party, that is directly or indirectly owned or controlled by the referenced party, or that is under common control with the referenced party. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through ownership of voting securities, by contract or otherwise.

"Approved Supplier" – Any supplier, including us, an Affiliate of ours, or an independent third party, whom we authorize to manufacture Licensed Ingredients.

"Competitive Business" – Any quick service or fast food casual restaurant for which the sale of roast beef sandwiches constitutes more than twenty percent (20%) of its annual revenues and any other business that is the same as, or similar to, the Lion's Choice Restaurant concept as it evolves or changes over time. Restrictions in this Agreement on competitive activities do not apply to: (a) the ownership or operation of other Lion's Choice Restaurants that are licensed or franchised by us or any of our Affiliates; or (b) the ownership of shares of a class of securities that are listed on a public stock exchange or traded on the over-the-counter market and that represent less than five percent (5%) of that class of securities.

"Confidential Information" – Our proprietary and confidential information relating to the development and operation of Lion's Choice Restaurants, including: (1) all information contained in the Policy Manual; (2) ingredients, recipes, and methods of preparation and presentation of authorized food products; (3) site selection criteria for Lion's Choice Restaurants and plans and specifications for the development of Lion's Choice Restaurants; (4) sales, marketing and advertising programs and techniques for Lion's Choice Restaurants; (5) identity of suppliers and knowledge of specifications, processes, procedures and equipment, and pricing for authorized food products, materials, supplies and equipment; (6) knowledge of operating results and financial performance of Lion's Choice Restaurants, other than Lion's Choice Restaurants you own; (7) methods of inventory control, storage, product handling, training and management relating to Lion's Choice Restaurants; and (8) any and all other information which is provided to you that is designated orally or in writing as proprietary or confidential or by its nature would reasonably be understood to be proprietary or confidential regardless of whether such information is specifically designated as proprietary or confidential.

"Copyrights" – Works of authorship and other categories of work entitled to copyright protection that we license for use in connection with the operation of Lion's Choice Restaurants and for which we or any of our Affiliates claims copyright protection.

"Customer Data" – any information of customers of your Restaurant that identifies or can be used to identify, contact, locate, or be traced back to the specific person to whom such information pertains, or from which identification or contact information of an individual person can be derived. Customer Data includes any personally identifiable information, such as a person's name, address, phone number, fax number and e-mail address.

"Immediate Family" – Spouse, parents, brothers, sisters and children, whether natural or adopted of the referenced person.

"Intellectual Property" – The Marks and Copyrights and any of our trade secrets and know-how.

"Internet" – All communications between computers and between computers and television, telephone, facsimile and similar communications devices, including the World Wide Web, proprietary online services, e-mail, news groups and electronic bulletin boards.

"Lion's Choice Accounting Standards" – The accounting, audit and tax standards, methods, practices and procedures as may be established from time to time by us, in our sole discretion, with respect to, among other things, the maintenance of books and records, and the preparation and presentation of financial information and financial statements, but which shall not be materially inconsistent with generally accepted accounting principles consistently applied and which are utilized by us in connection with our Lion's Choice Restaurants. In absence of any particular standard, method, practice or procedure established by us, the term "Lion's Choice Standards" shall refer to generally accepted accounting principles, consistently applied.

"Lion's Choice Restaurants" – Restaurants which we, or any of our Affiliates, own, operate or franchise and which use the Marks and the System.

"Marks" – The current and future trade names, trademarks, service marks and trade dress that are used to identify the services and/or products offered by Lion's Choice Restaurants, including the mark "LION'S CHOICE" and the distinctive building design and color scheme of Lion's Choice Restaurants.

"Net Sales" – The aggregate amount, determined in accordance with Lion's Choice Standards, of all sales of food, beverages and other products and merchandise sold and services rendered at the Premises or otherwise rendered in connection with your Restaurant or your use of the Marks, including proceeds from sales at or away from your Restaurant (e.g., delivery), whether for cash or credit, but excluding: (1) all federal, state or municipal sales or service taxes collected from customers and paid to the appropriate taxing authorities; and (2) all customer refunds and adjustments and promotional discounts made by your Restaurant.

"Operating Partner" – The individual you so designate in Exhibit A and any replacement thereof approved by us.

"Owner" – Each person or entity that has a direct or indirect legal or beneficial ownership interest in Franchisee.

"Personnel" – All persons employed by you in connection with the development, management or operation of your Restaurant, including persons in general and district management positions for your Restaurants, crew trainers, unit general and assistant managers, shift supervisors, hourly associates and all other persons who work in or for your Restaurant.

"Policy Manual" – All information for the development, establishment and operation of a Lion's Choice Restaurant which contains any mandatory or suggested standards, specifications or operating procedures, whether such information is communicated in writing, electronically (such as in bulletins, updates, guidelines, newsletters, e-mails, presentations, limited access online resources), and alternative or supplemental means of communicating information by other media, all as supplemented and amended from time to time, including information with respect to training, management, quality assurance, health, safety, recruitment, security, site selection, site acceptance processes, standards, customer services, approved suppliers, operating system manuals, training manuals and management training manuals..

"Premises" – The location identified in Section 2.01.

"Principal Owner" – Each Owner with an ownership interest greater than ten percent (10%) in Franchisee.

"Proprietary Products" - Food and beverage products that we, from time to time, deem proprietary or otherwise require to be purchased exclusively from one or more suppliers we designate (which may include us and our Affiliates), such as beef, sauces and seasoning.

"System" – The business methods, designs and arrangements for developing and operating Lion's Choice Restaurants, which include the Intellectual Property, building design and layouts, equipment, ingredients, recipes, methods of preparation and specifications for authorized food products, training, methods of inventory control and certain operating and business standards and policies, all of which we may improve, further develop or otherwise modify from time to time.

"Transfer the Franchise" – or similar words – The direct or indirect sale, assignment, transfer, exchange, conversion, license, sublicense, lease, sublease, mortgage, pledge, collateral assignment, grant of a security, collateral or conditional interest or other encumbrance in or on, or other disposition, whether voluntary, involuntary, by operation of law or otherwise, of this Agreement, any interest in or right under this Agreement, any form of legal or beneficial ownership interest in you, or any form of ownership interest or right to participate in or receive the benefit of the assets, revenues, income or profits of your Restaurant, or any one or more other acts or events not covered by the foregoing that we reasonably determine to be a form of direct or indirect transfer, including: (1) any transfer, redemption or issuance of a legal or beneficial ownership interest in the capital stock of, a membership interest in, or a partnership interest in, you or of any interest convertible into or exchangeable for capital stock of, a membership interest in or a partnership interest in, Franchisee; (2) any merger or consolidation between you and another entity, whether or not you are the surviving entity, or any conversion of Franchisee from one form of legal entity into another form of legal entity, or any sale, exchange, encumbrance or other disposition of your assets; (3) any transfer in connection with or as a result of a divorce, dissolution of marriage or similar proceeding or a property settlement or legal separation agreement in the context of a divorce, dissolution of marriage or similar proceeding, an insolvency, bankruptcy or assignment for benefit of creditors, a judgment, a corporate, limited liability company or partnership dissolution or otherwise by operation of law; (4) any transfer by gift, declaration of trust, transfer in trust, revocation of trust, trustee succession, trust termination, discretionary or mandatory trust distribution, occurrence of any event (e.g., death of a person) that affects or ripens the rights of contingent beneficiaries, exercise of a power of appointment, exercise of a withdrawal right, adjudication of any Principal Owner as legally disabled, or upon or after the death of any of your Principal Owners by will or the laws of intestate succession or otherwise; or (5) any foreclosure upon your Restaurant or the transfer, surrender or loss by you of possession, control or management of your Restaurant.

"your Restaurant"– The Lion's Choice Restaurant operated by you at the Premises.

## 2. GRANT OF RIGHTS.

**2.01. Grant of Franchise**. Subject to the terms of this Agreement, we grant to you the right, and you assume the obligation, to operate a Lion's Choice Restaurant at the following location: ______________________________________________________ (the "Premises") and to use the System solely in connection therewith, for a term starting from and after the date hereof and expiring on the twentieth (20th) anniversary of the opening date of your Restaurant (the "Term"). Immediately after the opening of your Restaurant, the parties shall execute a Confirmation of Opening Date in the form of Exhibit D hereto. You may not conduct the business of your Restaurant or use the System at any site other than the Premises, or relocate your Restaurant, without our consent.

**2.02. Your Protected Area**. During the Term, we will not operate (directly or through an Affiliate), nor grant to another person the right to operate, any Lion's Choice Restaurant located within a geographic area (the "Protected Area") consisting of a one (1)-mile radius from the center of the Premises, unless the parties have identified a different geographic area in the Site Acceptance Letter.

Notwithstanding the foregoing, we have the right to operate (directly or through an Affiliate), and to grant to others the right to operate, within the Protected Area and elsewhere: (a) Lion's Choice Restaurants or other retail food establishments using any part or all of the System and/or Marks that are: located at transportation facilities (such as airport facilities, inter-MSA train and/or bus stations, turnpikes or other limited access highway rest stops), hospitals, colleges, universities, sports arenas, and entertainment facilities, or where any locations or its food operations are controlled by a third party or in our judgment should be operated by a third party; and (b) retail food establishments that we purchase (or as to which we purchase the rights as franchisor) that are part of another franchise system or chain, regardless whether any or all of them are converted to use any or all of the Marks and/or System or continue to be operated independently.

**2.03. Our Reservation of Rights**. Except as otherwise expressly provided in Section 2.02, we and all of our Affiliates (and our respective successors and assigns, by purchase, merger, consolidation or otherwise) retain all of our rights and discretion with respect to the Marks, the System and Lion's Choice Restaurants anywhere in the world, and the right to engage in any business whatsoever, including the right to: (a) operate, and grant to others the right to operate, Lion's Choice Restaurants at such locations outside the Protected Area and on such terms and conditions as we deem appropriate (you acknowledge that such Lion's Choice Restaurants may be in direct competition with your Restaurant, without regard to any adverse effects of such activities on your Restaurant and without any obligation or liability to you); (b) sell any products or services under any trade names, trademarks, service marks or trade dress, including the Marks, through other channels of distribution (including wholesale distribution of food products to restaurants, supermarkets, grocery stores, caterers and other outlets and promoting and selling such products and services through other media, including the Internet; and (c) operate, and grant to others the right to operate, retail food establishments identified by tradenames, trademarks, service marks or trade dress, other than the Marks, pursuant to such terms and conditions as we deem appropriate. You acknowledge and agree that, except as expressly provided to the contrary in Section 2.02 hereof, your rights hereunder shall be non-exclusive. You waive, to the fullest extent permitted under law, all claims, demands or causes of action arising from or related to any of the foregoing activities by us or any of our Affiliates.

**3. DEVELOPMENT OF YOUR RESTAURANT.**

**3.01. Site Acceptance**. Neither our acceptance of the Premises nor any information communicated to you regarding our standard site selection criteria for Lion's Choice Restaurants or the specific location of the Premises constitutes a warranty or representation of any kind, express or implied, as to the suitability of the Premises for a Lion's Choice Restaurant or for any other purpose. Our acceptance of the Premises merely signifies that we are willing to grant a franchise for a Lion's Choice Restaurant at that location. Your decision to develop and operate a Lion's Choice Restaurant at the Premises is based solely on your own independent investigation of the suitability of the Premises for a Lion's Choice Restaurant.

In consideration of our acceptance of the Premises, you and your Owners release us, and our Affiliates, officers, directors, employees and agents from any and all loss, damages and liability arising from or in connection with the selection and/or acceptance of the Premises for development as a Lion's Choice Restaurant.

**3.02. Purchase or Lease of Premises**. You must lease, sublease or purchase the Premises within one hundred and eighty (180) days after the date of our Site Acceptance Letter attached hereto as Exhibit G. We have the right to approve the terms of any lease, sublease or purchase contract for the Premises, and you agree to deliver a copy to us for our approval before you sign it. You agree that any lease or sublease for the Premises must, in form and substance satisfactory to us, include all of the provisions set forth on Exhibit C hereto. You may not execute a lease, sublease or purchase contract or any modification thereof without our approval. Our approval of the lease, sublease or purchase contract does not constitute a warranty or representation of any kind, express or implied, as to its fairness or suitability or as to your ability to comply with its terms. We do not, by virtue of approving the lease, sublease or purchase contract, assume any liability or responsibility to you or to any third parties. You must deliver a copy of the fully signed lease, sublease or purchase contract to us within five (5) days after its execution. If you, one of your Owners, or one of your Affiliates at any time owns the Premises, you must immediately notify us and we may require that you or such Owner or Affiliate (1) enter into an agreement with us in recordable form granting us the right and option, in the event of a termination (for whatever reason) of the Franchise Agreement, to lease the Premises at fair market rental rates for a term coterminous (in absence of an early termination) with the term of the Franchise Agreement (with an option to extend for 10 years) for such Premises; or (2) enter into a prime lease with us at fair market rental rates for a term coterminus with the term of the Franchise Agreement (with an option to extend for 10 years) for such Premises and a sublease with us on the same terms as the prime lease. The prime lease and sublease referenced in the preceding sentence shall be on the then current lease and sublease forms used by us.

**3.03. Development of the Premises**. You are solely responsible for developing your Restaurant, for all expenses associated with it and for compliance with the requirements of any applicable federal, state or local law, code or regulation, including those concerning the Americans with Disabilities Act ("ADA") or similar rules governing public accommodations for persons with disabilities. We will furnish you with prototype plans and specifications for your Restaurant. These prototype plans and specifications will not contain the requirements of any federal, state or local laws, codes or regulations. You shall review and modify (if necessary) the prototype plans and specifications to ensure that they comply with all applicable ordinances, building codes and permit requirements and any lease requirements and restrictions. You acknowledge that design quality is important to us and that we have the right to review and approve all modified plans and specifications and to confirm that construction is completed in conformance with the plans and specifications we have approved. You must employ an architect and/or engineer acceptable to us. You must submit all such modified plans and specifications, including design specifications, to us for our approval before starting to construct and/or improve the Premises. All final plans, including any changes required by any laws, codes or regulations, are subject to our approval. You must submit any revised plans and specifications to us for our approval. Our review and approval of your plans are not designed to assess compliance with federal, state or local laws and regulations, including the ADA, as compliance with such laws is your sole responsibility. All construction and/or improvements and any signage must comply with all applicable laws, ordinances and local rules and regulations and must be in accordance with the plans and specifications we have approved.

We will furnish such guidance to you in developing the Premises as we deem appropriate. We may periodically inspect the Premises during its development. We do not, by approving your plans or specifications or inspecting the Premises, assume any liability or responsibility to you or to any third parties. Such approvals and inspections shall be solely for the purpose of assuring compliance with our standards and shall not be construed as any express or implied representation or warranty that your Restaurant complies with any applicable laws, codes or regulations (including the ADA or any other federal, state, or local law or ordinance regulating standards for the access to, use of, or modifications of buildings for any by persons whose disabilities are protected by law) or that the construction thereof is sound or free from defects. All prototype and modified plans and specifications for your Restaurant remain our sole and exclusive property, and you may claim no interest therein. You shall execute such work-for-hire or intellectual property assignment agreements as we require to confirm our ownership of all such plans and specifications, and shall cause appropriate third parties (e.g., architect) to execute similar agreements, as well as confidentiality agreements.

You agree to obtain all required permits and licenses as soon as reasonably possible to commence construction of your Restaurant. You must start construction of your Restaurant within sixty (60) days after the later to occur of (a) delivery to you of the right of possession of the Premises; and (b) issuance of all permits and licenses required for construction and/or renovation of the Premises. You must employ a general contractor acceptable to us. You must procure all applicable construction insurance in amounts and coverages acceptable to us. You must complete construction of your Restaurant within one hundred eighty (180) days after the start of construction. You must open your Restaurant within fourteen (14) days after the date construction is completed and all necessary approvals have been obtained. Any extensions of time are subject to our approval, which we may withhold at our discretion. You must provide us with weekly progress reports during construction in a format acceptable to us. We have the right to visit and inspect, at our sole discretion, the site during the construction phase. Such visits shall be at our expense, except for visits made upon your request, which shall be at your expense.

The requirement to complete construction of your Restaurant includes obtaining all required construction and occupancy licenses and permits, developing the Premises (including all outdoor features and landscaping of the Premises), installing all required fixtures, furnishings, equipment and signs, and doing all other things as may be required pursuant to this Agreement or by practical necessity to have your Restaurant ready to open for business. Your Restaurant may not be opened for business until we have notified you that your Restaurant meets our requirements for opening, including written confirmation that construction has been completed in accordance with the approved plans and specifications. You agree not to open your Restaurant to the public without such notice and you acknowledge and agree that we will not be liable for withholding our authorization in accordance with the foregoing sentence.

Following the opening of your Restaurant, you have sixty (60) days to provide us with a final set of "as built" plans and specifications and a complete and full detailed statement of construction costs in a format prescribed by us. You must execute a verification that the information in the construction cost statement is complete and accurate.

Notwithstanding anything to the contrary contained in this Section 3.03, you shall not be deemed to be in breach of this Section 3.03 if your failure to start construction, finish construction or open your Restaurant, as above provided, results solely from windstorms, rains, floods, earthquakes, typhoons, mudslides, fires or other natural disasters. Any delay resulting from any of such causes shall extend performance accordingly, in whole or in part, as may be reasonable, except that no such cause, alone or in combination with other causes, shall extend performance more than ninety (90) days without our prior written consent, which consent may be withheld in our sole discretion.

**3.04. Equipment, Furniture, Fixtures and Signs**. You agree to purchase or lease all required equipment, furnishings, fixtures and signs for your Restaurant. You agree to purchase or lease only such types, brands and models of fixtures, furniture, equipment, signs and supplies that we approve for Lion's Choice Restaurants as meeting our standards and specifications, including standards and specifications for quality, design, warranties, appearance, function and performance. You may purchase or lease approved types, brands or models of fixtures, furniture, equipment, signs and supplies only from suppliers approved by us (including us and any of our Affiliates). From time to time, we may modify the list of approved types, brands, models and/or suppliers, and you may not, after receipt of notice of such modification, reorder any type, brand or model from any supplier, which is no longer approved. If you propose to purchase any fixtures, furniture, equipment, signs or supplies of a type, brand or model, or propose to purchase from a supplier, that we have not previously approved, you must notify us and submit to us such information as we may request. We may impose reasonable inspection and supervision fees on approved suppliers to cover our costs.

**3.05. Opening Assistance**. If you (or any of your Affiliates) have not previously owned or managed a Lion's Choice Restaurant, we will provide you with such opening operational assistance as we deem appropriate to assist you in starting your operations, including on-site opening assistance for not more than four (4) days, as scheduled by us.

## 4. TRAINING AND GUIDANCE.

**4.01. Our Training Programs**. If you (or your Operating Partner) or any of your Personnel have not completed the appropriate certified training programs, then prior to you opening or operating your Restaurant, you (or your Operating Partner) and all such Personnel must attend and successfully complete the appropriate certified training programs, conducted at such time(s) and place(s) as we designate. Thereafter, any person who replaces your Operating Partner or any other Personnel must successfully complete the appropriate certified training program before assuming the particular position. We may require you (or your Operating Partner) and other Personnel to attend and successfully complete periodic or additional training programs. We will not charge any fees for attendance at any such pre-opening training programs, but may charge fees for any training programs conducted thereafter. You will be responsible for all compensation and expenses (including training materials, travel, meals and lodging) incurred by you and your Personnel in attending any training programs.

**4.02. On-Going Guidance**. We will furnish you periodic guidance with respect to the System, including improvements and changes to the System. Such guidance, at our discretion, will be furnished in the form of the Policy Manual, bulletins and other written materials, consultations by telephone or in person at our offices or at your Restaurant, or by any other means of communications. At your request, we may provide special assistance for which you will be required to pay the per diem fees and charges we may establish from time to time.

**4.03. Policy Manual**. We will provide you access to the Policy Manual. You agree to comply fully with all mandatory standards, specifications and operating procedures and other obligations contained in the Policy Manual. We may modify the Policy Manual from time to time to reflect changes in standards, specifications and operating procedures, provided no addition or modification may alter your fundamental status and rights under this Agreement. You must keep current with the Policy Manual. If a dispute develops relating to the contents of the Policy Manual, our master Policy Manual will be controlling. The Policy Manual contains Confidential Information, and you agree not to copy, nor to allow any unauthorized access to, any part of the Policy Manual.

**4.04. Your Certified Training Programs**. We may, from time to time, require or permit you to implement, at your expense, programs for the training of all or some of your Personnel. Prior to training any of your Personnel, your training programs must be certified by us as meeting our high standards. You will be required to obtain re-certification of your training programs from time to time, and we may withhold certification if we determine, in our sole discretion, that your training programs do not meet our high standards.

## 5. INTELLECTUAL PROPERTY.

**5.01. Ownership of the Intellectual Property**. You acknowledge that we or one of our Affiliates owns the Intellectual Property. Your right to use the Intellectual Property is derived solely from this Agreement and is limited to conducting business pursuant to and in compliance with this Agreement. Your unauthorized use of any of the Intellectual Property constitutes a breach of this Agreement and an infringement of our rights to the Intellectual Property. This Agreement does not confer on you any goodwill or other interests in the Intellectual Property. Your use of the Intellectual Property and any goodwill established thereby inures to our exclusive benefit. All provisions of this Agreement applicable to the Intellectual Property apply to any additional or substitute Intellectual Property we authorize you to use. You may not at any time during or after the Term contest, or assist any other person or entity in contesting, the validity or ownership of any of the Intellectual Property.

**5.02. Use of the Intellectual Property**. You agree to use the Marks as the sole identification of your Restaurant, provided you identify yourself as the independent owner thereof in the manner we prescribe. You agree to use the Intellectual Property only in full compliance with rules prescribed by us from time to time in connection with your Restaurant and the sale of authorized food products, beverages and services. You may not use any Intellectual Property in connection with the sale of any unauthorized product or service or in any other manner that we have not explicitly authorized in writing. You shall ensure that all Copyrights used hereunder shall bear an appropriate copyright notice under the Universal Copyright Convention or other copyright laws prescribed by us. Any unauthorized use, adaptation, publication, reproduction, preparation of derivative works, distribution of copies (whether by sale or other transfer of ownership, or by rental, lease or lending), or attempts to recreate all or a portion of such Copyrights shall constitute a breach of this Agreement and an infringement of our rights in and to the Copyrights. You may not use any Mark (or any abbreviation, modification or colorable imitation) as part of any corporate, legal or other business name (other than in connection with any legally required fictitious or assumed name filings), or with any prefix, suffix or other modifying words, terms, designs or symbols, or with the name or other designation of the metropolitan area or city in which your Restaurant is located, or in any other manner (including any Internet related use such as an electronic media identifier, for websites, web pages or domain names) not expressly authorized by us in writing. In addition to all other rights and remedies we may have for unauthorized use of the Intellectual Property or the sale of unauthorized products or services, you must reimburse us for any damages, liability or expenses incurred by us arising from your sale of any unauthorized product or service or for any damages, liability or expenses incurred by from your use of the Intellectual Property in an unauthorized manner. To the extent that any of the fees payable pursuant to Section 6 are for the right to use the System, such fees are all-inclusive and are not allocated among any of the various rights, including the Intellectual Property or any components of the Intellectual Property, that comprise the System.

**5.03.** **Discontinuance of Use of Intellectual Property**. If it becomes advisable at any time for us and/or you to modify or discontinue use of any Intellectual Property and/or use additional or substitute Intellectual Property, you agree to comply with our directions within thirty (30) days after notice. You will bear all costs and expenses applicable to your Restaurant should we decide to modify any Intellectual Property or use additional or substitute Intellectual Property. We shall have no liability or obligation whatsoever with respect to any such required modification or discontinuance of use of any Intellectual Property nor to the promotion or use of additional or substitute Intellectual Property.

**5.04.** **Notification of Infringements and Claims for Intellectual Property**. You must notify us immediately of any apparent infringement of or challenge to your use of any Intellectual Property, or any claim by another person of any rights in any Intellectual Property. You may not communicate with any person, other than your legal counsel, us, and our legal counsel, in connection with any such infringement, challenge or claim. We will have sole discretion to take such action as we deem appropriate and will have the right to control exclusively any litigation or U.S. Patent and Trademark Office or other administrative proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Intellectual Property. You must sign any and all instruments and documents, render such assistance and do such acts and things as may be necessary or advisable in the opinion of our legal counsel to protect our interests in any litigation or U.S. Patent and Trademark Office proceeding or other administrative proceeding or otherwise to protect its interests in the Intellectual Property.

**5.05.** **Indemnification of Franchisee Regarding Marks**. We agree to indemnify you against, and to reimburse you for, all damages for which you are held liable in any proceeding arising out of your authorized use of any Mark pursuant to and in compliance with this Agreement and, except as provided herein, for all costs you actually and reasonably incur in defending any such claim brought against you, provided you have timely notified us of such claim and provided further that you and your Owners and Affiliates are in compliance with this Agreement and all other agreements entered into with us or any of our Affiliates. We, at our sole discretion, are entitled to prosecute, defend and/or settle any proceeding arising out of your use of any Mark pursuant to this Agreement, and, if we undertake to prosecute, defend and/or settle any such matter, we have no obligation to indemnify or reimburse you for any fees or disbursements of any legal counsel retained by you.

## 6. FEES.

**6.01.** **Initial Franchise Fee**. You agree to pay us a nonrefundable initial franchise fee of Thirty Thousand Dollars ($30,000.00) (subject to any applicable credit of the area development fee) payable on execution of this Agreement.

**6.02.** **Royalty Fees**. You agree to pay us a continuing weekly royalty fee of four percent (4%) of Net Sales (the "Royalty Fee") (with each week starting on Sunday and ending on the following Saturday, subject to change by us). Each such week is deemed a "Reporting Period."

**6.03.** **Miscellaneous Administrative Fees**. You agree to pay us such miscellaneous administrative fees (including late fees for records, reports and financial statements) in such amounts as we may establish from time to time. The amounts of such fees shall be reasonably determined by us and may include recovery of our direct costs as well as reasonable allocations of overhead and indirect costs, and shall be charged on the same basis as for substantially all other franchised Lion's Choice Restaurants in the U.S. or the applicable geographical area.

**6.04.** **Designated Account**. Prior to the opening of your Restaurant, and as a condition thereof, you shall establish a designated bank account from which we shall be authorized to withdraw in any manner which we prescribe, which may include electronic transfer of funds, any amounts due to us or our Affiliates from you under this Agreement, including Royalty Fees. We have the right to review your sales numbers on a daily basis. On the first business day following a Reporting Period, we shall calculate the Royalty Fee due for that Reporting Period and withdraw such amount and any other amounts due under this Agreement, including any advertising and marketing fees set forth under Section 10 directly from the designated account. All costs and expenses of establishing and maintaining such designated account, including transaction fees and wire transfer fees, shall be paid by you.

**6.05. Payment Due Dates/Interest On Late Payments**. All payments of the continuing Royalty Fees due us from you and other periodic fees payable based on Reporting Periods shall be due and payable on, and must be received by us by, the first business day immediately following the end of each Reporting Period. Any payment or report not actually received by us on or before such date shall be deemed overdue. If any payment is overdue, you shall pay to us, in addition to the overdue amount, interest on such amount from the date it was due until paid, at a rate which is the lesser of two (2) percentage points above the prime interest rate as reported by the Wall Street Journal on the day the payment was due or the maximum rate permitted by law. You also agree to maintain at all times sufficient funds in the designated bank accounts for such withdrawals as provided in Section 6.04. If sufficient funds are not available in the designated bank account at the time of an electronic transfer to pay fees that are due us or our Affiliates, we have the right to collect a service fee, subject to applicable law. The entitlement to, and collection of, interest and service fees shall be in addition to our other remedies. Your failure to have sufficient funds available in the designated account in an amount equal to any amount then due, or your failure to otherwise pay all amounts when due, constitutes grounds for termination of this Agreement, as provided in Section 14.

**6.06. Application of Payments**. We may apply any payments by you to any of your past due indebtedness for Royalty Fees, advertising fund contributions or any other indebtedness to us or any of our Affiliates, notwithstanding any designation by you.

## 7. RESTRICTIVE COVENANTS.

**7.01. Confidential Information**. We will disclose (or cause to be disclosed) parts of our Confidential Information to you solely for your use in the operation of your Restaurant. The Confidential Information is proprietary and includes our trade secrets. During the Term and thereafter: (a) you and your Owners may not use the Confidential Information in any other business or capacity (you and your Owners acknowledge such use is an unfair method of competition); (b) you and your Owners must maintain the confidentiality of the Confidential Information; (c) you and your Owners may not make unauthorized copies of, nor permit unauthorized access to, any portion of the Confidential Information disclosed in written, electronic or other form; and (d) you and your Owners must implement all reasonable procedures we prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information, including the use of nondisclosure agreements with your Owners, officers, directors, Operating Partners, managers, assistant managers and the like, and you and your Owners must deliver such agreements to us. At the end of the Term, you and your Owners must deliver to us all such Confidential Information in your possession or control. Your restrictions on disclosure and use of Confidential Information do not apply to information or techniques which are or become generally known in the restaurant industry (other than through your own disclosure), provided you obtain our prior written consent to such disclosure or use.

**7.02. In-Term Covenants**. During the Term, neither you nor any of your Owners may, without our prior consent (which consent may be withheld at our discretion):

(a) directly or indirectly (such as through an Affiliate or a member of his/her or their Immediate Families) own any direct or indirect legal or beneficial interest in, or provide financing, lease property, render services or give advice to: (1) any Competitive Business located anywhere; or (2) any entity located anywhere which grants franchises, licenses or other interests to others to operate any Competitive Business; or

(b) divert or attempt to divert any business or customer of Lion's Choice Restaurants to any competitor or do anything injurious or prejudicial to the goodwill associated with the Marks or the System.

**7.03.** **Information Exchange**. All recipes, processes, ideas, concepts, advertising and promotional materials, website pages and content, methods, techniques or materials used or useful to a restaurant business, whether or not constituting protectable intellectual property (collectively, the "Materials"), that you create, or that are created on your behalf, in connection with the development or operation of your Restaurant must be promptly disclosed to us. If we adopt any of such Materials as part of the System, or deem them to be sufficiently related to us and our business to be considered proprietary, they will be deemed to be our sole and exclusive property and deemed to be Works-made-for-Hire (as such term is defined under Section 101 of the Copyright Act) for us, and to the extent the Materials may for any reason not be considered a Work-made-for-Hire, you irrevocably convey, grant, transfer and assign to us all right, title and interest which you may have now or in the future in and to the Materials. You agree to sign whatever assignment or other documents we request, during and after the Term, to evidence our ownership or to assist us in securing intellectual property rights in the Materials, and you agree to obtain all rights from any third party acting on your behalf to comply with this provision.

## 8. YOUR ORGANIZATION AND MANAGEMENT.

**8.01.** **Organizational Documents**. You and each of your Principal Owners represent, warrant and agree that: (a) you are duly organized and validly existing under the laws of the state of your organization, and, if a foreign business corporation, partnership, limited liability company or other legal entity, you are duly qualified to transact business in the state in which your Restaurant is located; (b) you have the authority to execute and deliver this Agreement and to perform your obligations hereunder; (c) true and complete copies of the articles or certificate of incorporation, articles of organization, operating agreement or principles, partnership agreement, bylaws, subscription agreements, buy-sell agreements, voting trust agreements, trust agreements and all other documents relating to your ownership, organization, capitalization, management and control, and any amendments thereto ("Organizational Documents") shall be promptly delivered to us; (d) your activities are restricted to those necessary solely for the development, ownership and operation of Lion's Choice Restaurants in accordance with this Agreement and in accordance with any other agreements entered into with us or any of our Affiliates; (e) the Organizational Documents recite that the issuance, transfer or pledge of any direct or indirect legal or beneficial ownership interest is restricted by the terms of this Agreement; (f) any certificates representing direct or indirect legal or beneficial ownership interests now or hereafter issued must bear a legend in conformity with applicable law reciting or referring to such restrictions; and (g) you will deliver to us a Secretary/Clerk's/Trustee's Certificate or other evidence satisfactory to us, that the execution, delivery and performance of this Agreement and all other agreements and ancillary documents contemplated hereby or thereby have been duly authorized by all necessary action by Franchisee, if you are a corporation, partnership, limited liability company or other legal entity, as applicable.

**8.02.** **Disclosure of Ownership Interests**. You and each of your Principal Owners represent, warrant and agree that Exhibit A is current, complete and accurate. You agree that updated Exhibits A will be furnished promptly to us, so that Exhibit A (as so revised and signed by you) is at all times current, complete and accurate. Each person who is or becomes a Principal Owner must execute an agreement in the form we prescribe, undertaking to be bound jointly and severally by the terms of this Agreement, the current form of which is attached hereto as Exhibit B. Each person who is or becomes an Owner, but not a Principal Owner, must execute an agreement in the form we prescribe, undertaking to be bound by the confidentiality and non-competition covenants contained in the Agreement, the current form of which is attached hereto as Exhibit E. Each Owner must be an individual acting in his/her individual capacity, except as otherwise approved by us.

**8.03.** **Operating Partner/Management of Business**. You must designate in Exhibit A as the "Operating Partner" an individual approved by us who must: (a) own and control, or have the right to own and control (subject to terms and conditions reasonably acceptable to us), not less than a ten percent (10%) interest in your equity; (b) have the authority to bind you regarding all communications with us and operational decisions with respect to your Restaurant(s); and (c) have completed our training program to our satisfaction.

Your Operating Partner: (a) shall exert his or her full-time and best efforts to the development and operation of your Restaurant and all other Lion's Choice Restaurants you own; and (b) may not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise may conflict with your obligations hereunder. You agree to provide us with copies of any arrangement, agreement or contract relating to your relationship with your Operating Partner. We shall have no responsibility, liability or obligation to any party to any such arrangement, agreement or contract, or any amendments thereto, on account of our review thereof or otherwise, and you agree to indemnify and hold us harmless with respect thereto. Your Restaurant at all times must be managed by your Operating Partner or by an on-site general or assistant manager or a shift supervisor who has completed the appropriate training programs.

**8.04.** **Restaurant Staffing**. Your Restaurant must be staffed by at least one trained general manager and appropriate numbers of assistant managers and shift supervisors so that all shifts are staffed by at least one assistant manager or shift supervisor, unless otherwise approved by us. You may not operate your Restaurant with a smaller compliment without our written approval.

## 9. LION'S CHOICE RESTAURANT OPERATING STANDARDS.

**9.01.** **Condition of Your Restaurant**. You must maintain your Restaurant's condition and appearance so that it is attractive, clean and efficiently operated in accordance with the Policy Manual. You agree to maintain your Restaurant's condition and appearance and to make such modifications and additions to its layout, decor, operations, and general theme as we require from time to time, including replacement of worn-out or obsolete fixtures, equipment, furniture, signs and utensils, repair of the interior and exterior and appurtenant parking areas and periodic cleaning and redecorating. If at any time the general state of repair, appearance or cleanliness of your Restaurant, or its fixtures, equipment, furniture, signs or utensils, does not meet our standards, we may notify you and specify the action you must take to correct such deficiency. If, within ten (10) days after receiving such notice, you fail or refuse to initiate and thereafter continue in good faith and with due diligence a *bona fide* program to complete such required maintenance, we have the right (in addition to our rights under Section 14), but not the obligation, to enter the Premises and do such maintenance on your behalf and at your expense. You must promptly reimburse us for such expenses.

You must periodically re-equip, upgrade and/or remodel your Restaurant pursuant to our plans and specifications, including equipment and production enhancements, provided, however, that, with the exception of signage, equipment and production enhancements, we will not require substantial remodeling more often than every seven (7) years during the Term.

If your Restaurant is damaged or destroyed by fire or other casualty, you must initiate within thirty (30) days (and continue until completion) all repairs or reconstruction to restore your Restaurant to its original condition. If, in our reasonable judgment, the damage or destruction is of such a nature that it is feasible, without incurring substantial additional costs, to repair or reconstruct your Restaurant in accordance with the then-standard Lion's Choice Restaurant layout and decor specifications, we may require you to repair or reconstruct your Restaurant in accordance with those specifications.

You may not make any alterations to your Restaurant, nor any replacements, relocations or alterations of fixtures, equipment, furniture or signs, without our approval. We have the right at your expense to rectify any replacements, relocations or alterations not previously approved by us.

**9.02.** **Uniform Image**. You agree that your Restaurant will offer for sale food, beverages and other products, services and merchandise related to the Lion's Choice concept that we determine from time to time to be appropriate for your Restaurant. You further agree that your Restaurant will not, without our approval, offer any products or services (including promotional items) not then authorized by us. Your Restaurant may not be used for any purpose, other than the operation of a Lion's Choice Restaurant in compliance with this

Agreement. You agree that your Restaurant will offer courteous and efficient service and a pleasant ambiance, consistent with your acknowledgements in Section 1.02.

**9.03.** **Purchase of Food Products, Beverages and Other Items**. You acknowledge and agree that the reputation and goodwill of Lion's Choice Restaurants are based on, and can be maintained only by the sale of distinctive high quality products and services. Therefore, you agree that your Restaurant will use and/or offer for sale only food products, beverages, ingredients, merchandise, uniforms, packaging materials, POP materials, smallwares, menus, forms, labels and other supplies and other products and services that conform to our specifications and quality standards and/or are purchased from suppliers approved by us (which may include us and/or any of our Affiliates). We may modify the list of approved brands and/or suppliers from time to time in our sole discretion. After notice of such modification, you may not reorder any brand or reorder from any supplier which is no longer approved.

If you propose to use any brand and/or supplier which is not then approved by us, you must first notify us and submit sufficient information, specifications and samples concerning such brand and/or supplier so that we can decide whether such brand complies with our specifications and standards and/or such supplier meets our approved supplier criteria. We have the right to charge reasonable fees to cover our costs. We will notify you of our decision within a reasonable period of time. We may prescribe procedures for the submission of requests for approval and impose obligations on suppliers, which we may require to be incorporated in a written agreement. We have the right to monitor the quality of services provided by suppliers in a manner we deem appropriate and may terminate any supplier who does not meet our quality standards and specifications, as may be in effect from time to time. We may impose limits on the number of suppliers and/or brands for any of the foregoing items. You acknowledge and agree that we do not act as agent, representative or in any other intermediary or fiduciary capacity for you in our relationship with suppliers.

Notwithstanding anything to the contrary contained herein, you agree to purchase Proprietary Products exclusively from suppliers we designate (which may include us and our Affiliates), and you acknowledge you have no right to propose alternative suppliers or to purchase Proprietary Products from any source other than our designated suppliers.

You acknowledge and agree that (i) we and/or our Affiliates may receive payments, fees, commission or reimbursements from suppliers and third parties in respect to any purchases from you, (ii) we and/or our Affiliates may have investments in or designate or approve suppliers, and (iii) we and/or our Affiliates may profit from your purchases from Suppliers.

You must maintain at all times an inventory of approved food products, beverages, ingredients, other products and merchandise related to the Lion's Choice concept sufficient in quantity, quality and variety to realize your Restaurant's full potential.

**9.04.** **Specifications and Standards**. You acknowledge that each and every aspect of the interior and exterior appearance, layout, decor, services and operation of your Restaurant is important to us and is subject to our specifications and standards. Consequently, you agree to comply with all mandatory specifications, standards and operating procedures and other obligations that we prescribe from time to time in the Policy Manual. More particularly, you agree to comply with all mandatory specifications, standards and operating procedures, as modified from time to time relating to the appearance, function, cleanliness or operation of a Lion's Choice Restaurant, including: (i) type, quality, taste, weight, dimensions, ingredients, uniformity and manner of preparation, packaging and sale of food products and beverages; (ii) sale procedures and customer service; (iii) advertising and promotional programs; (iv) qualifications, appearance, uniforms and dress of employees; (v) safety, maintenance, appearance, cleanliness, sanitation, standards of service and operation of your Restaurant; (vi) days and hours of operation; (vii) bookkeeping, accounting and record keeping systems and forms; (viii) training system for both management and hourly associates; and (ix) product ordering procedures.

**9.05.** **Compliance With Laws**. You must maintain in force in your name all required license permits and certificates relating to the operation of your Restaurant. You must operate your Restaurant in full compliance with all applicable laws, ordinances and regulations, including any law, ordinance or regulation relating to terrorist activities. You must notify us in writing immediately upon: (a) the commencement of any legal or administrative action, or the issuance of an order of any court, agency or other governmental instrumentality, which may adversely affect the development, occupancy or operation of your Restaurant or your financial condition; or (b) the delivery of any notice of violation or alleged violation of any law, ordinance or regulation, including those relating to health or sanitation at your Restaurant.

All of your advertising and promotion must be completely factual and must conform to the highest standards of ethical advertising. In all dealings with us, as well as your Personnel, customers, suppliers, lessors and the public, you must adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice which may be injurious to our business, to the business of other Lion's Choice Restaurants or to the goodwill associated with the Marks.

**9.06.** **Personnel**. Your Restaurant must at all times be under the direct, on premises supervision of a general or assistant manager or a shift supervisor who has completed and graduated from a certified training program and must be staffed by a sufficient number of competent hourly associates who are successful graduates of the appropriate certified training programs. You (or your Operating Partner) at all times must remain active in overseeing the operations of your Restaurant. If the relationship with your Operating Partner terminates, you must promptly hire a successor Operating Partner. Any successor Operating Partner must meet our approval and must successfully complete our training program. You are solely responsible for all employment decisions with respect to your Personnel, including hiring, firing, compensation, training, supervision and discipline, and regardless whether you receive advice from us on any of these subjects.

**9.07.** **Insurance**. You must maintain in force: (a) commercial general and product liability insurance; (b) all risk property insurance for the replacement value of your Restaurant and its contents; (c) commercial auto liability insurance; (d) statutory workers' compensation/employer's liability insurance; and (e) such other insurance policies as we may determine from time to time. All insurance policies must: (1) be issued by carriers approved by us; (2) contain such types and minimum amounts of coverage, exclusions and maximum deductibles as we prescribe from time to time; (3) name us and our Affiliates as additional insureds; (4) provide for thirty (30) days' prior written notice to us of any material modification, cancellation or expiration of such policy; (5) include a waiver of subrogation; and (6) include such other provisions as we may require from time to time. Your insurance must apply on a primary and non-contributory basis.

You must furnish us with such evidence of insurance coverage on an annual basis and payment of premiums as we may request. If you fail or refuse to maintain any required insurance coverage, or to furnish satisfactory evidence thereof, we, at our option and in addition to our other rights and remedies hereunder, may obtain such insurance coverage on your behalf. If we do so, you must fully cooperate with us in our effort to obtain such insurance policies and pay us any costs and premiums we incur.

Your obligation to maintain insurance coverage is not diminished in any manner by reason of any separate insurance we may choose to maintain, nor does it relieve you of your obligations under Section 17.02.

**9.08.** **Quality Control**. We may, in our sole discretion, establish quality control programs, including food safety programs, "secret shopper" and other programs to ensure the highest quality of service and food products in all Lion's Choice Restaurants. You shall participate in any such quality control programs and bear your pro-rata share, as determined by us in our sole discretion, of the costs of any such program. We reserve the right to publish or disclose to other franchisees, in any manner or format that we deem appropriate in our sole discretion, any information that we collect, produce or maintain in connection with such quality control programs. We also reserve the right to publish or disclose to third parties in an aggregate anonymous format any information that we collect, produce or maintain in connection with such quality control programs.

**9.09.** **Test Marketing**. We may conduct market research to determine consumer trends and salability of new food products and services. You agree to cooperate by participating in our market research programs by test marketing new food products and services in your Restaurant and providing us timely reports and other relevant information regarding such market research. You must purchase a reasonable quantity of such test products and make a reasonable effort to sell them. In the event you are approved to participate in any operations or marketing tests, including the testing of any product, program or media activity, you may be required to enter into a test agreement which will outline all requirements for the testing. All test requirements, processes and procedures must be adhered to as outlined by us. Any applicable costs (smallwares, product, media or costs for any associated marketing activities) will be your responsibility, and you must provide complete data statistics on the test for our review and evaluation.

**9.10.** **Retail Pricing**. We may offer guidance to you relating to prices for products and services offered and sold at your Restaurant that in our judgment constitute good business practice. You will not enter into any agreement or arrangement or engage in any concerted practice with competitors relating to prices at which products or services will be sold by you or by such competitors.

**9.11.** **Customer Data**. All information, mailing lists and data bases of Customer Data from whatever source derived, shall, at our request, and in any event when provided by you to us, be our property. You agree not to use such information, except in connection with the operation of your Restaurant in accordance with this Agreement. You agree not to use, process, copy, display, publish, store or transfer the Customer Data without our approval. You agree to comply with all applicable laws with respect to Customer Data; in addition, you agree to comply with all data privacy and security requirements we may establish from time to time and to exert commercially reasonable efforts to prevent the unauthorized use, dissemination, or publication of Customer Data, subject in all instances to applicable laws. You shall promptly notify us if you become aware of or suspect any unauthorized access to the Customer Data, or if you become the subject of any governmental, regulatory, or other enforcement or private proceeding relating to your data handling practices of Customer Data.

**9.12.** **Credit Cards**. It is your responsibility to maintain and report your PCI compliance, which encompasses operational policies and practices as well as networks and POS systems hardware/software used to process credit card transactions, as well as attesting that you are abiding by (i) the Payment Card Industry ("PCI") Data Security Standards enacted by the applicable Card Associations (as they may be modified from time to time or as successor standards are adopted); and (ii) all other security standards and guidelines that may be published from time to time by payment card companies and/or enacted by law, and are applicable to customer credit card and debit card information. If you know or suspect a security breach, you must immediately notify both your credit card transaction acquirer and Lion's Choice. You assume all responsibility for providing notice of breach or compromise, along with duties and costs associated with fraudulent transactions, penalties, and ongoing fees for monitoring customer credit card histories and/or transactions for affected customers of your Restaurant.

## 10. MARKETING AND ADVERTISING.

**10.01.** **Brand Fund**. We may, in our sole discretion, establish and administer a fund ("Brand Fund") for the creation and development of marketing, advertising and related programs and materials, including electronic, print and Internet media as well as the planning and purchasing of national and/or regional network advertising. You must contribute to the Brand Fund amounts that we establish from time to time, up to three percent (3.0%) of Net Sales. We reserve the right to collect annual contributions to the Brand Fund at any time of the year and may do so retroactively for periods of the calendar year that have already lapsed (if we change the contribution rate anytime during the year). Lion's Choice Restaurants owned by us and our Affiliates shall contribute to the Brand Fund on the same basis as the then-current rate for franchisees.

The Brand Fund will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs, travel expenses, and overhead as we may incur in activities related to the administration of the Brand Fund and its programs, including with respect to collecting and accounting for contributions to the Brand Fund. All disbursements from the Brand Fund shall be made first from income and then from contributions. While our intent is to balance the Brand Fund on an annual basis, from time to time the Brand Fund may run at either a surplus or deficit. We may spend in any fiscal year an amount greater or less than the aggregate contributions of all Lion's Choice Restaurants to the Brand Fund in that year, and the Brand Fund may borrow from us or other lenders to cover deficits in the Brand Fund or cause the Brand Fund to invest any surplus for future use by the Brand Fund. We will prepare annually a statement of funds collected and costs incurred by the Brand Fund and furnish a copy to you upon your written request. Except as otherwise expressly provided in this Section 10.01, we assume no direct or indirect liability or obligation with respect to the maintenance, direction or administration of the Brand Fund. We do not act as trustee or in any other fiduciary capacity with respect to the Brand Fund.

We will have sole discretion over all aspects of programs financed by the Brand Fund, including national or regional media, creative concepts, materials, endorsements and agency relationships. Although the Brand Fund is intended to maximize general recognition of the Marks and patronage of Lion's Choice Restaurants for the benefit of all Lion's Choice Restaurants, we cannot assure you that any particular Lion's Choice Restaurant will benefit directly or pro-rata from the placement of advertising. Additionally, we reserve the right to define, at any time, the measurement terms for any media coverage. The Brand Fund may be used to pay for the cost of preparing and producing materials and programs we select, including agency fees, market research and product testing, video, audio, electronic and written advertising materials, public relations programs, media planning and buying services and the cost of employing advertising agencies and supporting market research activities. We may furnish you with marketing, advertising and promotional materials at cost, plus any related administrative, shipping, handling and storage charges.

We will seek the advice of owners of Lion's Choice Restaurants by formal or informal means with respect to the creative concepts and media used for programs financed by the Brand Fund. At our discretion, we may establish a marketing advisory council, with its members appointed by us. The council serves only in an advisory capacity. The final authority on all programs funded by the Brand Fund will rest with us, and we will have sole discretion over all aspects of such programs, including national or regional media, creative concepts, materials, endorsements, agencies and suppliers. We have the right to change or dissolve the council at any time.

**10.02. Local Advertising Requirement**. You agree to spend for locally advertising and promoting your Restaurant at least such amounts as we establish from time to time, not to exceed five (5) percent (5.0%) of Net Sales during each of our fiscal years. The amount spent on local advertising and promotion will be designated as "Local Advertising Requirements" or "LARs." At our request, you shall furnish us with copies of invoices and other documentation evidencing your compliance with this Section 10.02. We shall provide you with not less than thirty (30) days' notice of any determination by us to change the minimum amount of the LAR you must spend. If we determine that you have spent an amount less than our prescribed minimum amount of Net Sales during any fiscal year for locally advertising and promoting your Restaurant, we may collect LAR contributions directly from you, with such contributions payable on the first business day following each Reporting Period together with the Royalty Fees due hereunder. The LAR monies will be used to pay for the cost of implementing local marketing plans developed by you and approved by us or, if we collect LAR contributions from you, to reimburse you (up to an amount not to exceed the LAR contributions so collected) for the costs incurred by you in implementing local marketing plans developed by you and approved by us. For these purposes, qualifying LAR expenditures include: (a) amounts contributed to the Brand Fund and to advertising associations established pursuant to Section 10.04; and (b) amounts spent by you for advertising media, such as television, radio, Internet, newspaper, billboards, posters, direct mail, collateral and promotional items, advertising on public vehicles (transit and aerial) and, if not provided by us, the cost of producing approved materials necessary to participate in these media. Non-qualifying LAR advertising expenditures include amounts spent for items which we, in our reasonable judgment, deem inappropriate for meeting the minimum advertising requirement, including permanent on-premises signs and menuboard hardware, lighting, administrative costs, discounts/coupon offers, free offers and employee incentive programs. We may supplement the list of qualifying and non-qualifying LAR expenditures from time to time and revise such list periodically.

**10.03.** **Advertising Approvals and Initial Advertising Costs**. You must submit to us for our prior approval, a marketing plan and samples of all advertising and promotional materials not prepared or previously approved by us and which vary from our standard advertising and promotional materials by following the procedures that are in place at the time of submittal. If you elect to work with a marketing firm (including an advertising agency or public relations firm), you must obtain our written approval of such marketing firm and such marketing firm must execute a confidentiality agreement approved by us before you sign any contracts or share any Confidential Information with such marketing firm. Such marketing firms or agencies shall not under any circumstances be given access to any of our proprietary information or any other information we deem inappropriate. You may not use any advertising or promotional materials that we have not approved.

In addition to your LAR expenditures, you agree to spend a minimum of Ten Thousand Dollars ($10,000.00) for grand opening advertising and promotional programs for your Restaurant pursuant to a grand opening marketing plan developed by us or developed by you and approved by us prior to implementation. You must use the types of advertising media specified in Section 10.02, and your grand opening program must be executed within ninety (90) days after your Restaurant commences operation.

**10.04.** **Advertising Associations**. We have the right, at our sole discretion, to establish or approve local and/or regional advertising associations for Lion's Choice Restaurants in your local or regional areas, covering such geographic areas as we may designate from time to time. You must participate in any such association and its programs and abide by its by-laws. If your Restaurant is within the territory of an existing association at the time your Restaurant opens for business, you agree to immediately become a member of the association. If an association applicable to your Restaurant is established during the term of this Agreement, you agree to become a member no later than thirty (30) days after the date approved by us for the association to commence operation. The following provisions shall apply to each association:

(a) Each association shall utilize a voting system of one vote per one eligible Lion's Choice Restaurant.

(b) Each association shall be organized and governed in a form and manner, and shall commence operations on a date, approved in advance by us in writing. No changes in the by-laws or other governing documents of an association shall be made without our prior written consent.

(c) Each association shall be organized for the exclusive purpose of administering advertising programs and developing, subject to our approval, promotional materials for use by the members in the association.

(d) No advertising or promotional plans or materials may be used by an association or furnished to its members without prior approval by us pursuant to Section 10.04(f) below.

(e) You and each other member of the association shall contribute to the association, using a collection structure selected and established by us, the amount determined in accordance with the association's by-laws. Any Lion's Choice Restaurants owned by us or any of our Affiliates located in such designated local or regional area(s) will contribute to the association on the same basis. Contributions to such local and/or regional advertising associations are credited towards the advertising expenditures required by Section 10.02; however, if we provide you and your association ninety (90) days' notice of a special promotion, including any regional promotions, you must participate in such promotion and pay to us and/or the association any special promotion advertising fees assessed in connection therewith, beginning on the effective date of such notice and continuing until such special promotion is concluded. Any such special promotion advertising fees shall be in addition to, and not credited towards, the five percent (5%) advertising expenditure required by Section 10.02.

(f) All advertising and promotion by you and any associations established hereunder shall be in such media and of such type and format as we may approve, shall be conducted in a dignified manner and shall conform to such standards and requirements as we may specify. You or the association shall submit written samples of all proposed advertising and promotional plans and materials to us for our approval (except with respect to prices to be charged) at least thirty (30) days before their intended use, unless such plans and materials were prepared by us or have been approved by us within the previous twelve (12) months. Proposed advertising plans or materials shall be deemed to have been approved if they have not been disapproved by us within fifteen (15) days after their receipt by us.

(g) At our request, you shall furnish us with copies of such information and documentation evidencing your association contributions as we may require in order to evidence your compliance with Section 10.02.

**10.05. Franchisee Websites**. You agree not to promote, offer or sell any products or services relating to your Restaurant, or to use any of the Marks, through the Internet without our consent. In connection with any such consent, we may grant you the right to promote and market your Restaurant over the Internet through one (1) website ("Authorized Website") that meets all of our standards and requirements as we may establish and modify from time to time. The website shall be identified by a domain name which shall be designated by us ("Authorized Domain Name"). Such standards and requirements may include (a) obtaining our prior written approval of any Internet domain name and home page addresses; (b) assignment to us of any Internet domain name(s) you have registered in connection with the development, ownership or operation of your Restaurant; (c) submission for our approval of all website pages, materials and content; (d) obtaining our prior written approval for use of all hyperlinks and other links; (e) restrictions on use of any materials (including text, video clips, photographs, images, sound bites and the like) in which any third party has any ownership interest; and (f) obtaining our prior written approval of any modifications to the website. You acknowledge and agree that we own all the Marks, including "Lion's Choice" and related logo, and that all goodwill established by your use of the Marks or the Authorized Domain Name inures to the exclusive benefit of Pumpernickel. You agree not to claim any legal or equitable ownership interest in the Authorized Domain Name. We may terminate your right to use the Authorized Domain Name, for any reason or no reason, which termination shall be effective immediately upon written notice to you.

**10.06. Social Media Sites**. We may maintain one or more social media sites (e.g., Twitter, Facebook, Pinterest, Four Square, MySpace or such other social media sites). You may not establish or maintain any social media sites utilizing any user names, or otherwise associating with the Marks, without our advance written consent. We may designate from time to time regional or territory-specific user names/handles to be maintained by you. You must adhere to the social media policies that we establish from time to time and you will require all of your owners to do so as well.

**10.07. Gift Cards and Loyalty Programs.** You are required, at your expense, to participate in, and comply with the requirements of, any gift certificate, gift card, stored value card, customer loyalty or customer retention program (e.g., customer e-mail program), that we implement. You agree to sign the forms and take any other action that we require in order for you to participate in such programs. You must honor coupons, stored or redemption value cards, gift certificates and gift cards sold or distributed by other Lion's Choice Restaurants and include the related proceeds in Net Sales strictly in accordance with the Policy Manual. You may not issue or offer any gift certificate, gift card, stored value card, customer loyalty or retention program without our prior written approval. You will use a vendor approved by us for gift card processing. Any coupon offer you propose to use must be approved by us in writing prior to being offered and must comply with Applicable Laws.

## 11. **RECORDS AND REPORTS**.

**11.01. Records**. You agree to prepare and to maintain for three (3) years, or such longer time as required by applicable law, complete and accurate books, records (including invoices and records relating to your advertising expenditures) and accounts (using our then-current standard chart of accounts) for your Restaurant, copies of your sales tax returns and such portions of your state and federal income tax returns as relate to your Restaurant. All such books and records shall be kept at your principal place of business, unless we otherwise approve.

You must record all sales on a point-of-sale (POS) computer system that is fully compatible with our computer systems and that includes a seamless information interface capability of fully integrating electronically into our computer systems. You agree to purchase or lease, at your expense and from one or more vendors designated by us, POS computer hardware and software systems and install data connections, power lines, modems, printers and other computer-related accessories and peripherals as may be required for a standard interface for the purpose of, among other functions, the recording and transmission of information collected through the POS system (including gross sales, Net Sales, discounts and product mix) to centralized data collection systems.

You must provide such assistance as may be required from time to time to ensure connectivity between your POS computer system with our computer systems. We shall have the right from time to time to retrieve such data and information from your computer system as deemed necessary or desirable, and you agree to fully cooperate with such efforts. In view of the contemplated interconnection of computer systems and the necessity that such systems be compatible with each other, you agree that you will comply strictly with all defined standards and specifications for items associated with your computer systems.

To ensure operational efficiency and optimum communication capability among computer systems installed at Lion's Choice Restaurants, you agree, at your expense, to keep your computer systems in good maintenance and repair, and to promptly install such upgrades, additions, changes, modifications, substitutions and/or replacements of hardware, software, data connectivity, electrical power, and other computer-related facilities, as we direct. You acknowledge that information technology is constantly changing and that the technology the parties contemplate using as of the date of this Agreement may change during the Term. Accordingly, you agree to implement at your Restaurant such changes to your information technology as we may require from time to time to maintain competitive and state-of-the-art operations during the Term.

We may require you to use proprietary software and other computer systems which we may prescribe from time to time, and you agree to promptly execute such agreements and/or pay such fees as may be required to integrate enterprise tools and procedures.

**11.02. Periodic Reports**. You must furnish us: (a) no later than the first business day immediately following the end of any Reporting Period, a report of Net Sales for such Reporting Period; (b) within thirty (30) days after the end of each of your fiscal quarters, a quarterly balance sheet and income statement and statement of cash flow of your Restaurant for such quarter in accordance with Lion's Choice Accounting Standards; (c) within ninety (90) days after the end of each of your fiscal years, (i) a year-end balance sheet and income statement and statement of cash flow of your Restaurant for such year, and a consolidated year-end balance sheet and income statement and statement of cash flow for you and all of your Affiliates that develop, own or operate Lion's Choice Restaurants, all prepared in accordance with Lion's Choice Standards; (ii) similar information from all Principal Owners who have executed guarantees of this Agreement; and (iii) such summaries of financial information as we may require; (d) within thirty (30) days after the end of each of our fiscal quarters and fiscal years, a quarterly LAR statement listing each qualifying LAR expenditure and the total LAR expenditures for the quarter or year, as applicable; and (e) within thirty (30) days of our request, such other information as we may require from time to time, including sales mix data, food and labor cost reports, sales and income tax statements and any required Business Plan under Section 11.03. You must execute a written verification that the information in each such report and financial statement is complete and accurate. We reserve the right to require that your financial statements be audited, at your expense, by an independent certified public accountant approved by us. We reserve the right to publish or disclose information that we obtain under this Section 11.02 in any data compilations, collections, or aggregations that we deem appropriate, in our sole discretion.

**11.03. Business Plans**. You shall create, prepare and continually update a business plan containing such information as we may require and presented in a format which we have approved ("Business Plan"). Your Business Plan must include, with respect to the Restaurant that you own and operate under this Agreement as well as all Restaurants owned or operated by you or any of your Affiliates, your short term and long term goals in at least the following areas: your mission statement, sales building, customer satisfaction, operations, quality of service, staffing, training certification, human resources, marketing, development and initiatives.

## 12. INSPECTIONS OF YOUR RESTAURANT; AUDITS.

**12.01. Inspections**. We and our designated agents have the right at any reasonable time and without prior notice to: (a) inspect your Restaurant; (b) observe, photograph, and/or audio/video record the operations of your Restaurant; (c) remove samples of any food and beverage products, materials or supplies for testing and analysis; and (d) interview personnel and customers of your Restaurant. You agree to cooperate fully with such activities. If we determine that your Restaurant fails to meet our minimum standards (as we may determine from time to time), we may charge you our standard re-inspection fee for any follow-up inspection relating for such failure. The current amount of the re-inspection fee is Two Thousand Five Hundred Dollars ($2,500.00). You shall furnish to us immediately upon receipt by you all inspection reports, citations or warnings received from municipal or other authorities.

**12.02. Audits**. We have the right at any time during business hours, and on ten (10) days' prior notice to you, to inspect, copy and audit the books, records, tax returns and documents (whether maintained in hard copy or in electronic or other form) relating to the development, ownership, lease, occupancy or operation of your Restaurant. You must cooperate fully with our representatives and independent accountants conducting such audits (including providing access to any security protected files and records). If any inspection or audit discloses an understatement of Net Sales, you must pay us, within seven (7) days after receipt of the audit report, the Royalty Fees and any advertising contributions due on the amount of such understatement, plus interest (as provided in Section 6.05) from the date originally due until the date of payment. Further, if such inspection or audit is made necessary by your failure to furnish reports, records or information on a timely basis, or if we determine an understatement of Net Sales for the period of any audit to be greater than two percent (2%), you must reimburse us for the cost of such audit or inspection, including the charges of any attorneys and independent accountants and the travel expenses, room and board and compensation of our employees.

## 13. FRANCHISEE'S RIGHT TO TRANSFER.

**13.01. Franchisor's Approval**. The rights and duties created by this Agreement are personal to you or, if you are a business corporation, partnership, limited liability company or other legal entity, your Owners. Accordingly, neither you nor any of your Owners may transfer the Franchise without our approval and without complying with all of the provisions of Section 13. Any transfer without such approval or compliance constitutes a breach of this Agreement and is void and of no force or effect.

**13.02. Conditions for Approval**. If we have not exercised our right of first refusal under Section 13.06, we will not unreasonably withhold our approval of a Transfer of the Franchise that meets all of the reasonable restrictions, requirements and conditions we impose on the transfer, the transferor(s) and/or the transferee(s), including the following:

(a) you have completed development of your Restaurant and are operating your Restaurant in accordance with this Agreement;

(b) you and your Owners and Affiliates must be in compliance with the provisions of this Agreement and all other agreements with us or any of our Affiliates;

(c) the proposed transferee and its owners must provide us on a timely basis all information we request; the transferee or owners must be individuals acting in their individual capacities who are of good character and reputation; the proposed transferee and its owners must have sufficient business experience, aptitude and financial resources to operate your Restaurant and must otherwise meet our approval;

(d) the proposed transferee may not be an entity, or be affiliated with an entity, that is required to comply with reporting and information requirements of the Securities Exchange Act of 1934, as amended;

(e) the transferee (or its operating partner) and its managers and shift supervisors must have completed our initial training program or must be currently certified by us to operate and/or manage a Lion's Choice Restaurant to our satisfaction;

(f) the transferee (and its owners) must agree to be bound by all of the provisions of this Agreement for the remainder of its Term or, at our option, execute our then current standard form of franchise agreement (which may provide for different royalties, advertising contributions and expenditures, duration and other rights and obligations than those provided in this Agreement) and related documents (including a remodel agreement and personal guarantees by the Principal Owners of the proposed transferee in form and substance satisfactory to us) used in the state in which your Restaurant is located;

(g) if: (i) you executed this Agreement pursuant to an area development agreement, or (ii) this is an agreement for a Lion's Choice Restaurant in or adjacent to a market area that you are developing or have developed pursuant an area development agreement, then the transferee must acquire, in a concurrent transaction, all of your rights, and the rights of your Owners and Affiliates, under such area development agreement (or any successor area development agreement) and all franchise agreements that you or your Owners or Affiliates executed pursuant to such area development agreement (or any predecessor or successor area development agreement) and for other Lion Choice Restaurants in or adjacent to such market area;

(h) you or the transferee must pay us a transfer fee of Seven Thousand Five Hundred Dollars ($7,500.00), plus costs;

(i) you and your Owners and Affiliates must, except to the extent limited or prohibited by applicable law, execute a general release, in form and substance satisfactory to us, of any and all claims against us, our Affiliates, shareholders, members, managers, officers, directors, employees, agents, successors and assigns;

(j) we must not have disapproved the material terms and conditions of such transfer (including price, terms of payment and financing) on the basis that they are so burdensome as to be likely, in our reasonable judgment, to adversely affect the transferee's operation of your Lion's Choice Restaurants or its compliance with its franchise agreements, any area development agreements and any other agreements being transferred;

(k) if you (or any of your Owners or Affiliates) finance any part of the sale price of the transferred interest, you and/or your Owners or Affiliates must agree that all obligations of the transferee, and security interests reserved by any of them in the assets transferred, will be subordinate to the transferee's obligations to pay all amounts due us and our Affiliates and to otherwise comply with this Agreement, any Franchise Agreement being transferred or any franchise agreement executed by the transferee;

(l) you and your Owners must execute a noncompetition covenant, in form and substance satisfactory to us, in favor of us and the transferee agreeing that, for a period of two (2) years, starting on the effective date of the transfer, you and your Owners will not directly or indirectly (such as through an Affiliate or members of his/her or their Immediate Families) own any direct or indirect legal or beneficial interest in, or provide funding, lease property, render services or give advice to (i) any Competitive Business that is located in the Protected Area; (ii) any Competitive Business that is located within a five (5) mile radius of any other Lion's Choice Restaurant in operation or under construction as of the effective date of such transfer; or (iii) any entity which grants franchises, licenses or other interests to others to operate any Competitive Business;

(m) you and your Owners and Affiliates must execute such other documents and do such other things as we may reasonably require to protect our rights under this Agreement and under any successor agreement or any related area development agreement.

**13.03. Effect of Approval**. Our approval of a Transfer of the Franchise does not constitute: (a) a representation as to the fairness of the terms of any agreement or arrangement between you or your Owners and the transferee or as to the prospects of success of the Lion's Choice Restaurant by the transferee; or (b) a release of you and your Owners, a waiver of any claims against you or your Owners or a waiver of our right to demand the transferee's compliance with this Agreement. Any approval shall apply only to the specific Transfer of the Franchise being proposed and shall not constitute an approval of, or have any bearing on, any other proposed transfer of the Franchise.

**13.04. Special Transfers**. None of Section 13.02(a), Section 13,02(f) or Section 13.02(h) shall apply to any Transfer of the Franchise among any of your then-current Owners. Neither Section 13.02(h) nor Section 13.02(j) shall apply to any Transfer of the Franchise to any member of your Immediate Family or the Immediate Family of a then-current Owner of Franchisee. None of the foregoing assignments shall relieve you or your Owners of your respective obligations hereunder, and you and your Owners remain jointly and severally liable for all obligations hereunder.

**13.05. Death or Disability of Franchisee**. Upon the death or permanent disability of the Operating Partner or an Owner of a controlling interest in Franchisee (or the trustee of a trust that is the Franchisee hereunder or that is an Owner of a controlling interest in Franchisee hereunder), the executor, administrator or other personal representative of such person shall transfer his/her interest in Franchisee to a third party approved by us in accordance with all of the applicable provisions of Section 13 within a reasonable period of time, not to exceed nine (9) months from the date of death or permanent disability.

**13.06. Franchisor's Right of First Refusal**. If you or any of your Owners desire to transfer the Franchise for legal consideration (e.g., excluding gifts, testamentary dispositions, etc.) you or such Owner must obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser (which must contain a confidentiality covenant by you and the prospective buyer to which we shall be an intended third party beneficiary) and must deliver immediately to us a complete and accurate copy of such offer, as well as due diligence information we may request. If the offeror proposes to buy any other property or rights from you or any of your Owners or Affiliates (other than rights under area development agreements or other franchise agreements for Lion's Choice Restaurants) as part of the *bona fide* offer, the proposal for such property or rights must be set forth in a separate, contemporaneous offer that is fully disclosed to us, and the price and terms of purchase offered to you or your Owners for the Transfer of the Franchise must reflect the *bona fide* price offered therefor and may not reflect any value for any other property or rights.

We have the option, exercisable by notice delivered to you or your Owners within thirty (30) days from the date of delivery of a complete and accurate copy of such offer to us (and having been provided the requested due diligence information), to purchase such interest for the price and on the terms and conditions contained in such offer, provided that: (a) we may substitute cash for any form of payment proposed in such offer; (b) our credit shall be deemed equal to the credit of any proposed purchaser; (c) we will have not less than ninety (90) days from the option exercise date to consummate the transaction; and (d) we shall not be required to pay deposits (such as earnest money) or to escrow funds prior to closing. We have the right to investigate and analyze the business, assets and liabilities and all other matters we deem necessary or desirable in order to make an informed investment decision with respect to the fairness of the terms of purchase. We may conduct such investigation and analysis in any manner we deem reasonably appropriate, and you and your Owners must cooperate fully with us in connection therewith.

If we exercise our option to purchase, we are entitled to purchase such interest subject to all representations and warranties, closing documents, releases, noncompetition covenants and indemnities as we reasonably may require, provided if we exercise our option as a result of a written offer reflected in a fully negotiated definitive agreement with the proposed purchaser, we will not be entitled to any additional representations, warranties, closing documents or indemnities that will have a materially adverse effect on your rights and obligations under the definitive agreement. If we do not exercise our option to purchase, you or your Owners may complete the sale to such offeror pursuant to and on the exact terms of such offer, subject to our approval of the transfer as provided in Sections 13.01 and 13.02, provided that if the sale to such offeror is not completed within ninety (90) days after delivery of such offer to us, or if there is a change in the terms of the offer, you must promptly notify us and we will have an additional option to purchase (on the terms of the revised offer, if any, and otherwise as set forth herein) during the thirty (30)-day period following your notification of the expiration of the ninety (90)-day period or the material change to the terms of the offer.

**13.07. Securities Offerings**. Neither you nor any of your Owners may issue or sell, or offer to issue or sell, any of your securities or any securities of any of your Affiliates, regardless of the means by which such sale is conducted, directly or indirectly, or by operation of law (including by merger, consolidation, reorganization or otherwise) without obtaining our prior consent and complying with all of our requirements and restrictions concerning use of information about us and our Affiliates. Notwithstanding the foregoing, neither you nor any of your Owners may issue or sell your securities or the securities of any of your Affiliates if: (1) such securities would be required to be registered pursuant to the Securities Act of 1933, as amended; or (2) after such issuance or sale, you or such Affiliate would be required to comply with the reporting and information requirements of the Securities Exchange Act of 1934, as amended. Any memorandum or other communications circulated in connection with any solicitation of offers to purchase that would require our consent to Transfer the Franchise (through whatever form of transaction, whether through direct or indirect sale of assets or securities, by operation of law or otherwise), and such offering, must be approved by us.

## 14. TERMINATION OF AGREEMENT.

**14.01. Immediate Termination**. You are in material breach of this Agreement, and this Agreement will automatically terminate without notice, at our discretion, if you become insolvent by reason of your inability to pay your debts as they mature; if you are adjudicated bankrupt or insolvent; if you file a petition in bankruptcy, reorganization or similar proceeding under the bankruptcy laws of the United States or have such a petition filed against you which is not discharged within thirty (30) days; if a receiver or other custodian, permanent or temporary, is appointed for your business, assets or property; if you request the appointment of a receiver or make a general assignment for the benefit of creditors; if final judgment against you in the amount of Fifty Thousand Dollars ($50,000.00) or more remains unsatisfied of record for thirty (30) days or longer; if your bank accounts, property or accounts receivable are attached; if execution is levied against your business or property; if suit is filed to foreclose any lien or mortgage against any of your assets and such suit is not dismissed within thirty (30) days; or if you voluntarily dissolve or liquidate or have a petition filed for corporate or partnership dissolution and such petition is not dismissed within thirty (30) days; if your assets, property or interest are "blocked" under any law, ordinance or regulation relating to terrorist activities or if you are otherwise in violation of any such law, ordinance or regulation; or if the Area Development Agreement pursuant to which this Agreement is executed is terminated (for whatever reason) prior to commencement of construction of your Restaurant under this Agreement.

**14.02. Termination Upon Notice**. In addition to our right to terminate pursuant to other provisions of this Agreement and under applicable law, we have the right to terminate this Agreement, effective upon delivery of notice of termination to you, if you or any of your Principal Owners or Affiliates:

(a) fail to open your Restaurant and start business, as provided in Section 3.03;

(b) abandon or fail to actively operate your Restaurant for three (3) consecutive days, except where such failure to actively operate results solely from force majeure;

(c) surrender or transfer control of the operation of your Restaurant without our prior written consent;

(d) make any material misstatement or omission in your franchise application or in any other information, report or summary provided to us at any time;

(e) suffer cancellation or termination of the lease or sublease for your Restaurant;

(f) are convicted of, or plead no contest to, a felony or other crime or offense that we reasonably believe may adversely affect the System or the goodwill associated with the Marks;

(g) make an unauthorized Transfer of the Franchise or fail to transfer the Franchise or the interest of a deceased or disabled Principal Owner of Franchisee as herein required;

(h) make any unauthorized use or disclosure of any Confidential Information or use duplicate or disclose any portion of the Policy Manual in violation of this Agreement;

(i) fail or refuse to comply with any mandatory specification, standard, or operating procedure prescribed by us relating to food handling, cleanliness or sanitation of your Restaurant or violate any health, safety or sanitation law, ordinance or regulation, that we reasonably believe may pose harm to the public or to your or our reputation, and do not correct such failure, refusal or violation within 24 hours after written notice thereof is delivered to you;

(j) fail to report accurately Net Sales, to establish, maintain and/or have sufficient funds available in the designated account as required by Section 6.04 of this Agreement or to make payment of any amounts due us or any of our Affiliates, and do not correct such failure within ten (10) days after written notice of such failure is delivered to you;

(k) fail to make a timely payment of any amount due to any third party (such as a supplier, vendor, landlord, lessor, etc.) unaffiliated with us (other than payments which are subject to bona fide dispute), and do not correct such failure within thirty (30) days after we deliver to you notice of such failure to comply;

(l) fail to comply with any other provision of this Agreement or any other mandatory specification, standard or operating procedure or other obligation that we prescribe from time to time in the Policy Manual and do not correct such failure within thirty (30) days after notice of such failure to comply is delivered to you; or

(m) fail on three (3) or more separate occasions within any period of twelve (12) consecutive months to submit when due reports or other data, information or supporting records or to pay when due Royalty Fees, advertising fund contributions or other payments due us, any of our Affiliates or any unaffiliated third parties or otherwise fail to comply with this Agreement or any mandatory specification, standard or operating procedure or other obligation that we prescribe from time to time in the Policy Manual, whether or not such failure is corrected after notice is delivered to you.

We have no obligation whatsoever to refund any portion of the franchise fee upon any termination.

## 15. RENEWAL RIGHTS.

**15.01. Your Right To Acquire a Successor Franchise**. If this Agreement is for an initial franchise (and not a successor franchise) you have the right, subject to the conditions contained in Section 15, to acquire a successor franchise for your Restaurant on the terms and conditions of our then current form of franchise agreement for Lion's Choice Restaurants (except as otherwise provided herein), if upon expiration of the Term: (a) you and your Owners and Affiliates are in compliance with this Agreement and any other agreements with us or any of our Affiliates, and you and your Owners have been in substantial compliance with this Agreement throughout the Term; and (b) the Premises meet our then-current site criteria and you maintain the right to possession of the Premises for the term of the successor franchise agreement and enter into an agreement with us whereby you agree within a specified time period (not to exceed one year), starting on the signing of a successor franchise agreement, to remodel your Restaurant, add or replace improvements, fixtures, furnishings, equipment and signs and otherwise modify your Restaurant to meet the specifications and standards then applicable for new Lion's Choice Restaurants. You will be obligated to pay a renewal fee of fifty percent (50%) of our then current standard initial franchise fee for a Lion's Choice Restaurant.

**15.02. Notices**. You must give us written notice of your desire to acquire a successor franchise not less than six (6) months nor more than twelve (12) months prior to the expiration of this Agreement. We will give you notice, not later than sixty (60) days after receipt of your notice, of our decision whether or not you have the right to acquire a successor franchise pursuant to Section 15.01. Notwithstanding any notice of our decision that you have the right to acquire a successor franchise for your Restaurant, your right will be subject to your continued compliance with all the provisions of this Agreement up to the date of its expiration.

**15.03. Agreements**. If you have the right to acquire a successor franchise in accordance with Section 15.01 and state your desire to exercise that right in accordance with Section 15.02, we and you (and your Owners) will execute the form of franchise agreement (which will be for a successor term of term (10) years, starting from its effective date, and which may contain provisions, including royalty fees, materially different from those contained herein) and all ancillary agreements (including, personal guarantees by your Principal Owners and a remodel agreement on such terms as we determine to be appropriate) which we then customarily use in granting franchises for the operation of Lion's Choice Restaurants, and you and your Owners must execute general releases, in form and substance satisfactory to us, of any and all claims against us, and our Affiliates, officers, directors, employees, agents, successors and assigns. Failure by you (and your Owners) to sign such agreements and releases within thirty (30) days after delivery to you shall be deemed an election by you not to acquire a successor franchise for your Restaurant.

## 16. EFFECT OF TERMINATION OR EXPIRATION.

**16.01. Payment of Amounts Owed to Us**. Within thirty (30) days after the effective date of termination or expiration (without renewal) of this Agreement, you must pay us and our Affiliates all Royalty Fees, advertising fund contributions, amounts owed for purchases from us or our Affiliates, interest due on any of the foregoing and all other amounts owed to us or our Affiliates which are then unpaid.

**16.02. Discontinue Use of Marks and Confidential Information**. Upon the termination or expiration (without renewal) of this Agreement, you will:

(a) not directly or indirectly at any time or in any manner use any Mark, any colorable imitation or other indicia of a Lion's Choice Restaurant, or any other Intellectual Property;

(b) take such action as may be required to cancel all fictitious or assumed name registrations relating to your use of any Mark;

(c) if we do not exercise our right to purchase your Restaurant pursuant to Section 16.04, promptly remove from the Premises, and discontinue using for any purpose, all signs, fixtures, furniture, decor items, advertising materials, forms and other materials and supplies which display any of the Marks or any distinctive features, images, or designs associated with Lion's Choice Restaurants and, at your expense, make such alterations as may be necessary to distinguish the Premises so clearly from its former appearance as a Lion's Choice Restaurant and from other Lion's Choice Restaurants as to prevent any possibility of confusion by the public;

(d) immediately cease to use all Confidential Information and return to us (and delete from computers and other devices that capture words in tangible form) all copies or content of the Policy Manual and any other confidential materials which have been loaned or made available to you;

(e) immediately discontinue any mode of communications on the Internet directly or indirectly relating to your Restaurant, including any Authorized Websites or any pages associated with your Restaurant, and immediately take all steps required by us to transfer any domain name associated with your Restaurant to us (such as executing a Registrant Name Change Agreement with the applicable Registrar). You irrevocably appoint an authorized officer of ours as your duly authorized agent and attorney-in-fact to execute all instruments and take all steps to transfer such domain names;

(f) notify the telephone company and all telephone directory publishers of the termination or expiration of your right to use any telephone number and any regular, classified or other telephone directory listings associated with any Mark and to authorize transfer of the number to us or at our direction; and

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

**16.03. Post-Term Covenants**. For a period of two (2) years, starting on the effective date of termination or expiration (without renewal) of this Agreement, neither you nor any of your Owners directly or indirectly (such as through an Affiliate or his/her or their Immediate Families) shall own any direct or indirect legal or beneficial interest in, or provide funding, lease property, render services or give advice to: (i) any Competitive Business operating in the Protected Area; (ii) any Competitive Business operating within a radius of five (5) miles of any Lion's Choice Restaurant in operation or under construction on the effective date of termination or expiration; or (iii) any entity which grants franchises or licenses other interests to others to operate any Competitive Business.

You and each of your Owners expressly acknowledge the possession of skills and abilities of a general nature and the opportunity for exploiting such skills in other ways, so that enforcement of the covenants contained in this Section will not deprive any of you of your personal goodwill or ability to earn a living. If you or any of your Owners fail or refuse to abide by any of the foregoing covenants and we obtain enforcement in a judicial or arbitration proceeding, the obligations under the breached covenant will be tolled during the period(s) of time that the covenant is breached and/or we seek to enforce it and will continue in effect for a period of time ending two (2) years after the date of the order enforcing the covenant.

**16.04. Our Option to Purchase Your Restaurant**.

(a) Upon termination or expiration (without renewal) of this Agreement, we shall have the right, but not the obligation, by giving you written notice ("Option Notice"), to purchase from you and any of your Owners and Affiliates, and, if we exercise such right, you and any of your Owners and Affiliates shall sell to us, all of the right, title and interest, direct or indirect, of you, your Owners and your Affiliates in all of the right, title and interest of you, your Owners and your Affiliates in and to your Restaurant, together with all real, personal and mixed assets used in connection with your Restaurant, including all leases for real estate and equipment ("Restaurant Assets") without assuming any liabilities or obligations, including the right, but not the obligation to offer employment to restaurant level employees (hourly associates, shift supervisors and managers) (such purchase and sale obligation is referred to as "Purchase Option") within ten (10) days after the date of such termination or expiration. Notwithstanding the foregoing, if you notify us not less than one hundred eighty (180) days nor more than two hundred seventy (270) days prior to the expiration of this Agreement that you do not desire to enter into a successor franchise agreement on expiration of the Term, then if we desire to exercise our right to purchase, we agree to give you the Option Notice at least one hundred twenty (120) days prior to the date of expiration of the Term.

(b) The Purchase Price will be the Fair Market Value (as defined below), unless the option to purchase occurs as a result of a termination in connection with one or more defaults by Franchisee (including under Sections 14.01 and 14.02), in which case the Purchase Price will be the lesser of the Restaurant Assets Value (as defined below) or the Net Book Value (as defined below). "Fair Market Value" shall be the amount that an arm's length purchaser would be willing to pay for the Restaurant Assets used in the operation of a Lion's Choice Restaurant operated under the then-current form of franchise agreement for a term of 10 years without any further renewal or extension rights (for the avoidance of doubt, Fair Market Value may not include goodwill associated with the Marks, but may include going concern value or terminal value for the business based on historical value of the business). The "Restaurant Assets Value" shall be the amount which an arm's length purchaser would be willing to pay for the Restaurant Assets, considering their age and condition and without reference to their use in a Lion's Choice Restaurant. The "Net Book Value" shall be the net book value expressed in U.S. Dollars of the Restaurant Assets (including the unamortized portion of any capitalized so-called "key money" for leases), as reflected on Franchisee's books and records, determined in accordance with U.S. generally accepted accounting principles. The Fair Market Value, Restaurant Assets Value and Net Book Value, as applicable, will be determined by a member of a recognized accounting firm (other than a firm which conducts audits of either Party's financial statements) agreed to by the Parties who has experience in the valuation of restaurant businesses ("Appraiser").

(c) The Appraiser will make his or her determination and submit a written report ("Appraisal Report") to the Parties as soon as practicable, which report shall contain the Fair Market Value, or the Restaurant Assets Value and Net Book Value, as applicable. The Appraiser shall endeavor to complete the Appraisal Report within thirty (30) days after his or her appointment, and both Parties shall fully cooperate with the Appraiser in order to meet the deadline. The Appraiser may extend the Appraisal Report deadline, as may be reasonably necessary. Franchisee agrees to promptly provide the Appraiser with such books and records as he or she may require, which Franchisee represents and warrants to be complete and accurate. In absence of such books and records or if the Appraiser is not satisfied with their completeness or accuracy, the Appraiser may make his or her determination in the Appraisal Report on the basis of other sources and information he or she deems reasonably appropriate. The Appraiser's determination shall be final and binding on the Parties hereto, and the Parties agree to share the cost of the appraisal equally.

(d) Following the determination of the purchase price, if such purchase price is acceptable to us, in our sole judgment, we will deliver to you a written confirmation of our intent to purchase the Restaurant Assets at the purchase price so determined ("Option Exercise Notice") and we and you or any of your Owners or Affiliates shall proceed to close the purchase and sale as hereinafter provided. If such purchase price is not acceptable to us, in our sole judgment, we will have no obligation to proceed to close the purchase and sale.

(e) Upon delivery of the Option Exercise Notice we may authorize continued temporary operations of your Restaurant pursuant to the terms of this Agreement, subject to the supervision and control of one or more of our appointed managers, in full accordance with the terms of this Agreement. Neither you nor any of your Owners or Affiliates shall directly or indirectly destroy, alter, substitute, remove, encumber, pledge, sell, assign, transfer, or otherwise dispose of, destroy, transfer, change, secret or encumber, in any manner whatsoever, any of the assets of your Restaurant, other than sales in the ordinary course of business, nor destroy, alter, substitute, remove, encumber, pledge, sell, assign, transfer, or otherwise dispose of, destroy, transfer, change, secret or encumber, in any manner whatsoever, any documents, records, books, agreements or electronic records relating to the operation of your Restaurant. You and any of your Owners and Affiliates shall take all reasonable steps to insure that all of your restaurant-level employees (hourly associates, shift supervisors and managers) remain in place, are made available to us to interview and offer employment to (if we elect to offer such employment) and will do nothing to discourage any of them from accepting employment with us after the closing. Upon receipt of the Option Notice from us, you and any of your Owners and Affiliates shall provide us access to all of your books and records relating to your Restaurant.

(f) The purchase price to be paid for the Restaurant Assets purchased pursuant to the exercise of any Purchase Option shall be paid on the date of the closing of the purchase, subject to a ten percent (10%) holdback for sixty (60) days after the date of closing as security for and to offset to the extent necessary the payment and discharge of indemnification obligations related to your Restaurant. The purchase price may be reduced by any obligations you or any of your Affiliates or Owners may owe us, or any of our Affiliates.

(g) The closing for the purchase and sale shall be held at 10:00 a.m. at our offices in St. Louis, Missouri as soon as practicable after the determination of the purchase price under the Purchase Option. You and all of your Owners or Affiliates shall execute and deliver to the purchasing party all warranties, title insurance policies and other closing documents and post-closing indemnifications as we reasonably require, including: (i) all general releases, representations, warranties and post-closing indemnifications; (ii) all estoppel certificates, subordination, non-disturbance and attornment agreements and assignments of any real estate lease for your Restaurant (or lease at fair market value if the real estate is owned by you or any of your Owners or Affiliates, or sub-lease at fair market value if the real estate is leased by any of your Owners or Affiliates); and (iii) all deeds, bills of sale, representations, warranties, indemnifications, releases, discharges, documents, affidavits and instruments of conveyance as are necessary or desirable, in the opinion of legal counsel for the purchasing party, to transfer, convey and validly vest in the purchasing party, as the case may be, good, marketable and absolute title to your Restaurant being conveyed free and clear of any lien, claim, pledge, security interest, equities or other encumbrance or interest of any kind or character whatsoever, with all documentary stamps, sales taxes and other transfer taxes paid by you and all of your Owners or Affiliates.

(h) If you and all of your Owners or Affiliates cannot deliver clear title to the Restaurant Assets, or if there are other unresolved issues, the closing may, at our option, be accomplished through an escrow on such terms and conditions as we deem appropriate, including the making of payments, to be deducted from the purchase price, directly to third parties in order to obtain clear title to the Restaurant Assets. Further, you or any of your Owners or Affiliates, on the one hand, and we, on the other hand, shall comply with any applicable Bulk Sales provisions of the Uniform Commercial Code as enacted in the state or states where your Restaurant is located, or provide an indemnity and escrow on terms satisfactory to us in order to fully satisfy any obligations and liabilities with respect to such Bulk Sales provisions, and all applicable state and local sales and income tax notification and/or escrow procedures. We have the right to set off against and reduce the purchase price by any and all amounts owed by you or any of your Owners or Affiliates to us, or any of our Affiliates.

(i) Prior to the closing of a sale pursuant to this Purchase Option, you or any of your Owners or Affiliates may request from the real estate lessor of your Restaurant that you or any of your Owners or Affiliates be released as of such closing from any real estate lease guaranties that you or any of your Owners or Affiliates may have provided. If the real estate lessors do not agree to grant such releases, upon such closing, the purchasing party shall indemnify you or any of your Owners or Affiliates with respect to any obligations under a real estate lease guaranty given by you or any of your Owners or Affiliates for your Restaurant on terms satisfactory to us.

(j) Notwithstanding anything to the contrary contained herein, we may assign our rights and obligations under the Purchase Option to any assignee, without the consent of you or any of your Owners or Affiliates.

**16.05.** **Continuing Obligations.** All obligations under this Agreement which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect until they are satisfied in full or by their nature expire.

## 17. RELATIONSHIP OF THE PARTIES.

**17.01. Independent Contractors**. Neither this Agreement nor the dealings of the parties pursuant to this Agreement shall create any fiduciary relationship or any other relationship of trust or confidence between them. Franchisor and Franchisee, as between themselves, are and shall be independent contractors.

You understand and agree that we may operate and change the System and our business in any manner that is not expressly and specifically prohibited by this Agreement. Whenever we have expressly reserved in this Agreement or are deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, we may make our decision or exercise our right and/or discretion on the basis of our judgment of what is in our best interests, including our judgment of what is in the best interests of our franchise network, at the time our decision is made or our right or discretion is exercised, without regard to whether: (1) other reasonable alternative decisions or actions could have been made by us; (2) our decision or the action we take promotes our financial or other individual interest; (3) our decision or the action we take applies differently to you and one or more other franchisees or our company-owned operations; or (4) our decision or the exercise of our right or discretion is adverse to your interests. In the absence of an applicable statute, we will have no liability to you for any such decision or action. We and you intend that the exercise of our right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, we and you agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your rights and obligations hereunder.

Nothing contained in this Agreement, or arising from the conduct of the parties hereunder, is intended to make either party a general or special agent, joint venturer, partner or employee of the other for any purpose whatsoever. You must conspicuously identify yourself in all dealings with customers, lessors, contractors, suppliers, public officials, employees and others as the owner of your Restaurant and must place such other notices of independent ownership on such forms, business cards, stationery, advertising and other materials as we may require from time to time.

You may not make any express or implied agreements, warranties, guarantees or representations or incur any debt in our name or on our behalf or represent that the relationship of the parties hereto is anything other than that of independent contractors. We will not be obligated by or have any liability under any agreements made by you with any third party or for any representations made by you to any third party. We will not be obligated for any damages to any person or property arising directly or indirectly out of the operation of your business hereunder.

**17.02. Indemnification**. You agree to indemnify us, our Affiliates and our respective directors, officers, employees, shareholders, members, managers, agents, successors and assigns (collectively "indemnitees"), and to hold the indemnitees harmless to the fullest extent permitted by law, from any and all losses and expenses (as defined below) incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether it is reduced to judgment) or any settlement thereof which arises directly or indirectly from, or as a result of, a claim of a third party against any one or more of the indemnitees in connection with (i) your failure to perform or breach of any covenant, agreement, term or provision of this Agreement, (ii) your breach of any representation or warranty contained in this Agreement, (iii) the marketing, promotion, advertisement or sale of any of the products and services offered by your Restaurant pursuant to this Agreement, including unfair or fraudulent advertising claims (whether in print advertising or electronic media), and product liability claims, (iv) your development, ownership, operation and/or closing of your Restaurant, and (v) any allegedly unauthorized service or act rendered or performed in connection with this Agreement, and regardless of whether it resulted from any strict or vicarious liability imposed by law on the indemnitees. The foregoing indemnity shall apply even if it is determined that the indemnitees' negligence caused such loss, liability or expense, in whole or in part, provided, however, that this indemnity will not apply to any liability arising from a breach of this Agreement by the indemnitees or the gross negligence or willful acts of indemnitees (except to the extent that joint liability is involved, in which event the indemnification provided herein will extend to any finding of comparative or contributory negligence attributable to you). The term "losses and expenses" includes compensatory, exemplary, and punitive damages; fines and penalties; attorneys' fees; experts' fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to our reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses. We agree to give you reasonable notice of any event of which we become aware for which indemnification may be required and we may elect (but are not obligated) to direct the defense thereof, provided that the selection of counsel shall be subject to your consent, which consent shall not be unreasonably withheld or delayed. We may, in our reasonable discretion, take such actions as we deem necessary and appropriate to investigate, defend, or settle any event or take other remedial or corrective actions with respect thereto as may be necessary for the protection of indemnitees or Lion's Choice Company Restaurants generally, provided however, that any settlement shall be subject to your consent, which consent shall not be unreasonably withheld or delayed. Further, notwithstanding the foregoing, if the insurer on a policy or policies obtained in compliance with your Franchise Agreement agrees to undertake the defense of an event (an "Insured Event"), we agree not to exercise our right to select counsel to defend the event if such would cause your insurer to deny coverage. We reserve the right to retain counsel to represent us with respect to an Insured Event at our sole cost and expense. This Section 17.02 shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

**17.03. Taxes**. We will have no liability for any sales, use, service, occupation, exercise, gross receipts, income, property or other taxes, whether levied upon your Restaurant, your property or upon us, in connection with sales made or business conducted by you (except any taxes we are required by law to collect from you). Payment of all such taxes shall be your responsibility. In the event of a *bona fide* dispute as to your liability for taxes, you may contest your liability in accordance with applicable law. In no event, however, will you permit a tax sale, seizure, or attachment to occur against your Restaurant or any of its assets.

## 18. GOVERNING LAW AND DISPUTE RESOLUTION.

**18.01. Governing Law.** This Agreement shall be construed under the laws of the State of Missouri, provided the foregoing shall not constitute a waiver of any of your rights under any applicable franchise law of another state. Otherwise, in the event of any conflict of law, Missouri law will prevail, without regard to its conflict of law principles. However, if any provision of this Agreement would not be enforceable under Missouri law, and if your Restaurant is located outside of Missouri and such provision would be enforceable under the laws of the state in which your Restaurant is located, then such provision shall be construed under the laws of that state. Nothing in this Section 18.01 is intended to subject this Agreement to any franchise or similar law, rule or regulation of the State of Missouri to which it otherwise would not be subject.

**18.02. Jurisdiction**. You and your Owners irrevocably submit to the jurisdiction of the courts of the State of Missouri in any suit, action or proceeding, arising out of or relating to this Agreement or any other dispute between you and us, and you irrevocably agree that all claims in respect of any such suit, action or proceeding must be brought and/or defended therein except with respect to matters that are under the jurisdiction of the Federal Courts of the United States, which shall be brought and/or defended in the Federal District Court sitting in St. Louis, Missouri. You irrevocably waive, to the fullest extent you may lawfully do so, the defense of an inconvenient forum to the maintenance of such suit, action or proceeding and agree that service of process for purposes of any such suit, action or proceeding need not be personally served or served within the State of Missouri but may be served with the same effect as if you were served within the State of Missouri, by certified mail or any other means permitted by law addressed to you at the address set forth herein. Nothing contained herein shall affect our rights to bring a suit, action or proceeding in any other appropriate jurisdiction, including any suit, action or proceeding brought by us to enforce any judgment against you entered by a State or Federal Court.

**18.03. Attorneys' Fees.** In any judicial proceeding, the non-prevailing party agrees to reimburse the prevailing party for all of the prevailing party's costs and expenses, including reasonable accounting, paralegal, expert witness and attorneys' fees.

**18.04. Injunctive Relief.** Notwithstanding the provisions of Section 18.02, we may obtain in any court of competent jurisdiction any preliminary relief, including temporary restraining orders and preliminary injunctions, against conduct or threatened conduct for which no adequate remedy at law may be available or which may cause us irreparable harm. We may have such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and your sole remedy in the event of the entry of such injunction, shall be its dissolution, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived). You and each of your Owners acknowledge that any violation of Sections 7, 13.02(a), 16.02, or 16.03 would result in irreparable injury to us for which no adequate remedy at law may be available. Accordingly, you and each of your Owners' consent to the issuance of an injunction prohibiting any conduct in violation of any of those Sections and agree that the existence of any claim you or any of your Owners may have against us, whether arising from this Agreement, shall not constitute a defense to the enforcement of any of those Sections.

**18.05. Limitations on Legal Actions.** Except with respect to your obligations regarding use of the Marks in Section 5 and the Confidential Information in Section 7.01, we and you (and your Owners) each waives, to the fullest extent permitted by law, any right to or claim for any punitive or exemplary damages against the other. You and each of your Owners waive to the fullest extent permitted by applicable law, the right to recover consequential damages (including lost future profits) for any claim directly or indirectly arising from or relating to this Agreement.

You agree that, for our franchise system to function properly, we should not be burdened with the costs of litigating system-wide disputes. Accordingly, any disagreement between you (and your Owners) and us shall be considered unique as to its facts and shall not be brought as a class action, and you (and each of your Owners) waive any right to proceed against us or any of our shareholders, members, managers, Affiliates, officers, directors, employees, agents, successors and assigns by way of class action, or by way of a multi-plaintiff, consolidated or collective action. In any legal action between the parties, the court shall not be precluded from making its own independent determination of the issues in question, notwithstanding the similarity of issues in any other legal action involving us and any other franchisee, and each party waives the right to claim that a prior disposition of the same or similar issues precludes such independent determination.

**Furthermore, the parties agree that in the event any legal action is filed in connection with this Agreement, such action shall be tried to the court sitting without a jury, and all parties hereto waive any right to have any action tried by jury.**

**18.06. Survival**. The provisions of this Section 18 shall continue in full force and effect subsequent to and notwithstanding expiration or termination of this Agreement.

## 19. MISCELLANEOUS.

**19.01. Severability and Substitution of Provisions.** Every part of this Agreement shall be considered severable. If for any reason any part of this Agreement is held to be invalid, that determination shall not impair the other parts of this Agreement. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope or in terms of geographic area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, you and we agree that it will be enforced to the fullest extent permissible under applicable law and public policy.

If any applicable law requires a greater prior notice of the termination of or refusal to enter into a successor franchise than is required hereunder, a different standard of "good cause", or the taking of some other action not required hereunder, the prior notice, "good cause" standard and/or other action required by such law shall be substituted for the comparable provisions hereof. If any provision of this Agreement or any specification, standard or operating procedure prescribed by us is invalid or unenforceable under applicable law, we have the right, in our sole discretion, to modify such invalid or unenforceable provision, specification, standard or operating procedure to the extent required to make it valid and enforceable.

**19.02.** **Waiver of Obligations.** We and you may by written instrument unilaterally waive or reduce any obligation of the other under this Agreement. Any such waiver granted shall be without prejudice to any other rights the waiving party may have, will be subject to continuing review by such party and may be revoked, in such party's sole discretion, at any time and for any reason, effective upon delivery to the other party of ten (10) days' prior notice. You and we shall not be deemed to have waived any right reserved by this Agreement or be deemed to have modified this Agreement by virtue of any custom or practice of the parties at variance with it; any failure, refusal or neglect by you or us to exercise any right under this Agreement (except as provided in Section 19.03) or to insist upon exact compliance by the other with its obligations hereunder; any waiver, forbearance, delay, failure or omission by us to exercise any right, whether of the same, similar or different nature, with respect to other Lion's Choice Restaurants; or the acceptance by us of any payments due from you after any breach of this Agreement.

**19.03.** **Exercise of Rights.** The rights of Franchisor and Franchisee hereunder are cumulative and no exercise or enforcement by Franchisor or Franchisee of any right or remedy hereunder shall preclude the exercise or enforcement by Franchisor or Franchisee of any other right or remedy hereunder which Franchisor or Franchisee is entitled to enforce by law. If Franchisee commits any act of default under any agreement or this Agreement for which Franchisor exercises its right to terminate this Agreement, Franchisee shall pay to Franchisor the actual and consequential damages Franchisor incurs as a result of the premature termination of this Agreement. Franchisee acknowledges and agrees that the proximate cause of such damages sustained by Franchisor is Franchisee's act of default and not Franchisor's exercise of its right to terminate. Notwithstanding the foregoing, and except as otherwise prohibited or limited by applicable law, any failure, neglect, or delay of a party to assert any breach or violation of any legal or equitable right arising from or in connection with this Agreement shall constitute a waiver of such right and shall preclude the exercise or enforcement of any legal or equitable remedy arising therefrom, unless written notice specifying such breach or violation is provided to the other party within twenty four (24) months after the later of: (a) the date of such breach or violation; or (b) the date of discovery of the facts (or the date the facts could have been discovered, using reasonable diligence) giving rise to such breach or violation.

**19.04.** **Successors and Assigns.** This Agreement is binding on the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest. This Agreement is fully transferable and assignable by us, whether by operation of law or otherwise (without notice to you, or approval by you) and shall inure to the benefit of any transferee or other legal successor to our interests herein.

**19.05.** **Construction.** The language of this Agreement shall be construed according to its fair meaning and not strictly against any party. The introduction, personal guarantees, exhibits and riders (if any) to this Agreement, are a part of this Agreement, which constitutes the entire Agreement of the parties with respect to the subject matter hereof. Except as otherwise expressly provided herein, there are no other oral or written agreements, understandings, representations or statements relating to the subject matter of this Agreement, other than the franchise disclosure document, that either party may or does rely on or that will have any force or effect. Nothing in this Agreement shall be deemed to confer any rights or remedies on any person or legal entity not a party hereto. This Agreement shall not be modified except by written agreement signed by both parties. Time is of the essence in this Agreement.

To facilitate the execution of this Agreement by geographically separated parties, it may be executed in two or more counterparts, all of which shall constitute one agreement. The execution by one party of any counterpart shall be sufficient execution by that party whether or not the same counterpart has been executed by any other party. This Agreement shall become effective when each party has signed at least one counterpart. All facsimile, scanned or electronic executions (e.g., DocuSign) shall be treated as originals for all purposes.

The headings of Sections are for convenience only and do not limit or construe their contents. The word "including" shall be construed to include the words "without limitation." The term "Franchisee" or "you" is applicable to one or more persons, a corporation, limited liability company or a partnership and its owners, as the case may be. If obligations and liabilities to us shall be joint and several. References to a controlling interest in an entity shall mean more than fifty percent (50%) of the equity or voting control of such entity.

**19.06. Approvals and Consents.** Whenever this Agreement requires the approval or consent of either party, the other party shall make written request therefor, and such approval or consent shall be obtained in writing; provided however, unless specified otherwise in this Agreement, such party may withhold approval or consent, for any reason or for no reason at all. Furthermore, unless specified otherwise in this Agreement, no such approval or consent shall be deemed to constitute a warranty or representation of any kind, express or implied, and the approving or consenting party shall have no responsibility, liability or obligation arising therefrom.

**19.07. Notices and Payments.** All notices, requests and reports permitted or required to be delivered by this Agreement shall be deemed delivered: (a) at the time delivered by hand to the recipient party or any officer, director or partner of the recipient party; (b) one (1) business day after transmission by facsimile, or other electronic system, if the sender has confirmation of successful transmission, or the same day it is sent by facsimile or email if the sender has a confirmation of receipt on that same day; (c) 1 business day after being placed in the hands of a commercial courier service for guaranteed overnight delivery, or (d) five (5) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified in writing. All payments and reports required by this Agreement shall be sent to us at the address identified in this Agreement unless and until a different address has been designated by written notice. No restrictive endorsement on any check or in any letter or other communication accompanying any payment shall bind us, and our acceptance of any such payment shall not constitute an accord and satisfaction.

**19.08. Receipt of Franchise Disclosure Document and Agreement**. You acknowledge having received our franchise disclosure document and this Agreement, with all blanks completed, within the time periods required by applicable law.

**[SIGNATURE PAGE FOLLOWS]**

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the day and year first above written.

**FRANCHISOR**

**LC FRANCHISOR, LLC**,
a Delaware limited liability company

By:____________________________________
Print Name:______________________________
Title:__________________________________

By:____________________________________
Print Name:______________________________
Title:__________________________________

**FRANCHISEE**

If a corporation, partnership, limited a liability company or other legal entity

________________________________________
(Name of corporation, partnership, limited liability company or other legal entity)

By:____________________________________
Print Name:______________________________
Title:__________________________________

By:____________________________________
Print Name:______________________________
Title:__________________________________

By:____________________________________
Print Name:______________________________
Title:__________________________________

**EXHIBIT A**

**TO THE FRANCHISE AGREEMENT BETWEEN**
**LC FRANCHISOR, LLC AND**

**____________________________________________**
**DATED ________________________, _______**

1. Operating Partner. The name and home address of the Operating Partner is as follows: __________________________________________________________________________________________

2. Form of Entity of Franchisee.

(a) Corporation or Limited Liability Company. Franchisee was organized on __________, ______, under the laws of the State of ______________. Its Federal Identification Number is _________________. It has not conducted business under any name other than its corporate or company name. The following is a list of all of Franchisee's directors and officers or managing members as of the _________ ___, ________.

| Name of Each Director/Officer/Managing Member | Position(s) Held |
|---|---|
| _________________________________ | _______________________________ |
| _________________________________ | _______________________________ |
| _________________________________ | _______________________________ |
| _________________________________ | _______________________________ |

(b) Partnership. Franchisee is a [general] [limited] partnership formed on __________, _________, under the laws of the State of ______________. Its Federal Identification Number is ______________. It has not conducted business under any name other than its partnership name. The following is a list of all of Franchisee's general partners as of the date of the Agreement.

Name of Each General Partner

______________________________

______________________________

______________________________

3. Owners. Franchisee and each of its Owners represents and warrants that the following is a complete and accurate list of all Owners of Franchisee, including the full name and mailing address of each Owner, and fully describes the nature and extent of each Owner's interest in Franchisee. Franchisee and each Owner as to his/her ownership interest, represents and warrants that each Owner is the sole and exclusive legal and beneficial owner of his/her ownership interest in Franchisee, free and clear of all liens, restrictions, agreements and encumbrances of any kind or nature, other than those required or permitted by this Agreement.

| Owner's Name and Address Interest | Percentage and Nature of Ownership |
| --- | --- |
| ______________________________ | ______________________________ |
| ______________________________ | ______________________________ |
| ______________________________ | ______________________________ |

Accepted by Franchisor and made a part of the Franchise Development Agreement as of _______.

**LC FRANCHISOR, LLC**,
a Delaware limited liability company

By: ______________________________
Print Name: ______________________________
Title: ______________________________

Accepted by Franchisee on ________________.

______________________________
**a** ______________________________

By: ______________________________
Print Name: ______________________________
Title: ______________________________

**OWNERS**

______________________________
(Signature)

______________________________
(Print Name)

______________________________
(Signature)

______________________________
(Print Name)

______________________________
(Signature)

______________________________
(Print Name)

______________________________
(Signature)

______________________________
(Print Name)

## EXHIBIT B

## PRINCIPAL OWNERS' PERSONAL GUARANTY OF FRANCHISEE'S OBLIGATIONS

## ("Guaranty")

In consideration of, and as an inducement to, the execution of the LC FRANCHISOR, LLC Franchise Agreement dated as of ____________ ____, ______ (the "Agreement") by and between LC FRANCHISOR, LLC ("Franchisor"), and __________ ("Franchisee"), each of the undersigned owners of a ten percent (10%) or greater interest in Franchisee hereby personally and unconditionally: (1) guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement (and any amendments) and that each and every representation of Franchisee made in connection with the Agreement (and any amendments) are true, correct and complete in all respects at and as of the time given; and (2) agrees personally to be bound by, and personally liable for the breach of, each and every provision in the Agreement (and any amendments).

Each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right that the undersigned may have to require that an action be brought against Franchisee or any other person as a condition of liability; (e) notice of any amendment to the Agreement; and (f) any and all other notices and legal or equitable defenses to which the undersigned may be entitled.

Each of the undersigned consents and agrees that: (i) the undersigned's direct and immediate liability under this guaranty shall be joint and several; (ii) the undersigned shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses to do so punctually; (iii) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (iv) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which the Franchisor may from time to time grant to Franchisee or to any other person including, without limitation the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable until satisfied in full.

The undersigned irrevocably submits to the jurisdiction of the courts of the State of Missouri in any suit, action or proceeding, arising out of or relating to this Guaranty or any other dispute between the undersigned and Franchisor, and the undersigned irrevocably agrees that all claims in respect of any such suit, action or proceeding must be brought and/or defended therein except with respect to matters that are under the jurisdiction of the Federal Courts of the United States, which shall be brought and/or defended in the Federal District Court sitting in St. Louis, Missouri. The undersigned irrevocably waives, to the fullest extent he/she may lawfully do so, the defense of an inconvenient forum to the maintenance of such suit, action or proceeding and agree that service of process for purposes of any such suit, action or proceeding need not be personally served or served within the State of Missouri but may be served with the same effect as if the undersigned were served within the State of Missouri, by certified mail or any other means permitted by law addressed to the undersigned at the address set forth herein. Nothing contained herein shall affect Franchisor's rights to bring a suit, action or proceeding in any other appropriate jurisdiction, including any suit, action or proceeding brought by Franchisor to enforce any judgment against the undersigned entered by a State or Federal Court. In any judicial proceeding, the non-prevailing party agrees to reimburse the prevailing party for all of the prevailing party's costs and expenses, including reasonable accounting, paralegal, expert witness and attorneys' fees.

The undersigned acknowledges and agrees that Franchisor may obtain in any court of competent jurisdiction any preliminary relief, including temporary restraining orders and preliminary injunctions, against conduct or threatened conduct for which no adequate remedy at law may be available or which may cause irreparable harm. Any such action for preliminary relief shall be in aid of arbitration and shall not be deemed incompatible with the agreement to arbitrate or constitute a waiver of its right to arbitrate. Such injunctive relief may be obtained without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy in the event of the entry of such injunction, shall be its dissolution, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived). The undersigned acknowledges that any violation of Sections 7, 13.02(a), 16.02, or 16.03 of the Franchise Agreement would result in irreparable injury for which no adequate remedy at law may be available. Accordingly, the undersigned consents to the issuance of an injunction prohibiting any conduct in violation of any of those Sections and agrees that the existence of any claim shall not constitute a defense to the enforcement of any of those Sections.

**Furthermore, the undersigned agree that any legal action in connection with this Agreement shall be tried to the court sitting without a jury, and all parties hereto waive any right to have any action tried by jury.**

**IN WITNESS WHEREOF**, each of the undersigned has hereunto affixed his/her signature as of the _____ day of ___________________, ______.

| PERCENTAGE OF OWNERSHIP INTERESTS IN AREA DEVELOPER | GUARANTOR(S) |
| --- | --- |
| ______________________ | ______________________<br>(Signature) |
| | ______________________<br>(Print Name) |
| ______________________ | ______________________<br>(Signature) |
| | ______________________<br>(Print Name) |
| ______________________ | ______________________<br>(Signature) |
| | ______________________<br>(Print Name) |

______________________________ ______________________________
(Signature)

______________________________
(Print Name)

Subscribed and sworn to before me this __ day of _______, ___.

______________________________
Notary Public
My Commission expires: ___________________

**EXHIBIT C**

**ADDENDUM TO LEASE**

This addendum is executed as of this _____ day of _____________, ______, by and between _____________________________________________ ("Franchisee") and _______________________ ("Landlord") as an addendum to the lease (as modified, amended, supplemented, renewed and/or extended from time to time as contemplated herein, the "Lease") for the premises located at _____________________________________________________), state of ______________ (the "Premises") dated as of ______________, ________.

WHEREAS, Franchisee has executed or intends to execute a Franchise Agreement with LC FRANCHISOR, LLC ("Franchisor") for the operation of a Lion's Choice Restaurant at the Premises, and as a requirement thereof, the lease for the Premises must contain the provisions contained in this Addendum; and

WHEREAS, Landlord and Franchisee agree that the terms contained herein shall supersede any terms to the contrary set forth in the Lease;

NOW THEREFORE, in consideration of mutual covenants set forth herein, the execution and delivery of the Lease, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Franchisee hereby agree as follows:

1. Landlord shall deliver to Franchisor a copy of any notice of default or termination of the Lease at the same time such notice is delivered to Franchisee.

2. Franchisee hereby assigns to Franchisor, with Landlord's irrevocable and unconditional consent, all of Franchisee's rights, title and interests to and under the Lease upon any termination or non-renewal of the Franchise Agreement, but no such assignment shall be effective unless: (a) the Franchise Agreement is terminated or expires without renewal; and (b) Franchisor notifies the Franchisee and Landlord in writing that Franchisor assumes Franchisee's obligations under the Lease.

3. Franchisor shall have the right, but not the obligation, upon giving written notice of its election to Franchisee and Landlord, to cure any breach of the Lease and, if so stated in the notice, to also succeed to Franchisee's rights, title and interests thereunder.

4. The Lease may not be modified, amended, supplemented, renewed, extended or assigned by Franchisee without Franchisor's prior written consent.

5. Franchisee and Landlord acknowledge and agree that Franchisor shall have no liability or obligation whatsoever under the Lease unless and until Franchisor assumes the Lease in writing pursuant to Section 2 or Section 3, above.

6. If Franchisor assumes the Lease, as above provided, Franchisor may further assign the Lease to another person or entity to operate the Lion's Choice Restaurant at the Premises, subject to Landlord's consent, which consent will not be unreasonably withheld or delayed. Landlord agrees to execute such further documentation to confirm its consent to the assignments permitted under this Addendum as Franchisor may reasonably request.

7. Landlord and Franchisee hereby acknowledge that Franchisee has agreed under the Franchise Agreement that Franchisor and its employees or agents shall have the right to enter the Premises for certain purposes. Landlord hereby agrees not to interfere with or prevent such entry by Franchisor, its employees or agents. Landlord and Franchisee hereby further acknowledge that in the event the Franchise Agreement expires (without renewal) or is terminated, Franchisee is obligated to take certain steps under the Franchise Agreement to de-identify the location as a Lion's Choice Restaurant.

Landlord agrees to permit Franchisor, its employees or agents, to enter the Premises and remove signs (both interior and exterior), decor, design elements, and materials displaying any marks, designs or logos, or other materials of any kind owned by, or related to, Franchisor, provided Franchisor shall bear the expense of repairing any damage to the Premises as a result thereof.

8. Landlord and Franchisee agree that if Landlord is or becomes an Owner or an Affiliate of the Franchisee, as defined in the Franchise Agreement, and Landlord proposes to sell the Premises, then prior to the sale of the Premises and upon the request of Franchisor, the Lease shall be amended to reflect a rental rate and other terms that are the reasonable and customary rental rates and terms prevailing in the community where the Lion's Choice Restaurant is located.

9. Copies of any and all notices required or permitted hereby or by the Lease shall also be sent to Franchisor at 12977 North Forty Drive, Suite 100, St. Louis, Missouri 63141, or such other address as Franchisor shall specify by written notice to Landlord.

10. Under the Franchise Agreement, any lease for the location of a Restaurant is subject to Franchisor's approval. Accordingly, the Lease is contingent upon such approval.

WITNESS the execution hereof under seal.

| LANDLORD: | FRANCHISEE: |
|---|---|
| ______________________________ | ______________________________ |
| Date: | Date: |
| Subscribed and sworn to before me this _____ day of ____________, ________. | Subscribed and sworn to before me this _____ day of ____________, ________. |
| ______________________ | ______________________ |
| Notary Public | Notary Public |
| My Commission expires: ____________ | My Commission expires: ____________ |

**EXHIBIT D**

**CONFIRMATION OF OPENING DATE**

Reference is hereby made to a Franchise Agreement dated __________, ______ ("Agreement") by and between LC FRANCHISOR, LLC ("Franchisor") and ____________________________ ("Franchisee"). Pursuant to Section 2.01 of the Agreement, the undersigned hereby agree that the opening date of your Restaurant was ___________, ______.

WITNESS the execution hereunder seal as of the ______ day of ____________, ______.

| | |
|---|---|
| **FRANCHISOR** | **FRANCHISEE** |
| **LC FRANCHISOR, LLC** | ________________________________ |
| By:________________________________ | By:________________________________ |
| Print Name:__________________________ | Print Name:__________________________ |
| Title:______________________________ | Title:______________________________ |
| By:________________________________ | By:________________________________ |
| Print Name:__________________________ | Print Name:__________________________ |
| Title:______________________________ | Title:______________________________ |

# EXHIBIT E

## INVESTOR PERSONAL COVENANTS REGARDING CONFIDENTIALITY AND NON-COMPETITION

In conjunction with your investment in ______________ ("Franchisee") a ________________, you ("Investor" or "you"), acknowledge and agree as follows:

11. Franchisee owns and operates, or is developing, a Lion's Choice Restaurant located or to be located at ____________________________ pursuant to a franchise agreement dated _____________________, __________ ("Franchise Agreement") with LC FRANCHISOR, LLC ("Franchisor"), which Franchise Agreement requires persons with legal or beneficial ownership interests in Franchisee under certain circumstances to be personally bound by the confidentiality and noncompetition covenants contained in the Franchise Agreement. All capitalized terms contained herein shall have the same meaning set forth in the Franchise Agreement.

12. You own or intend to own a __ percent ( %) legal or beneficial ownership interest in Franchisee and acknowledge and agree that your execution of this Agreement is a condition to such ownership interest and that you have received good and valuable consideration for executing this Agreement. Franchisor may enforce this Agreement directly against you and your Owners (as defined below).

13. If you are a corporation, partnership, limited liability company or other entity, all persons who have a legal or beneficial interest in you ("Owners") must also execute this Agreement.

14. You and your Owners, if any, may gain access to parts of Franchisor's Confidential Information as a result of investing in Franchisee. The Confidential Information is proprietary and includes Franchisor's trade secrets. You and your Owners hereby agree that while you and they have a legal or beneficial ownership interest in Franchisee and thereafter you and they: (a) will not use the Confidential Information in any other business or capacity (such use being an unfair method of competition); (b) will maintain the confidentiality of the Confidential Information; and (c) will not make unauthorized copies of any portion of the Confidential Information disclosed in written, electronic or other form. If you or your Owners cease to have an interest in Franchisee, you and your Owners, if any, must deliver to Franchisor any such Confidential Information in your or their possession or control.

15. During the term of the Franchise Agreement and during such time as you and your Owners, if any, have any legal or beneficial ownership interest in Franchisee, you and your Owners, if any, agree that you and they will not, without Franchisor's written consent (which consent may be withheld at Franchisor's discretion) directly or indirectly (such as through an Affiliate or through your or their Immediate Families) own any direct or indirect legal or beneficial interest in, or provide funding, lease property, render services or give advice in connection with: (a) any Competitive Business located anywhere; or (b) any entity located anywhere which grants franchises, or licenses interests to others to operate any Competitive Business.

16. For a period of two (2) years, starting on the earlier to occur of the date you or your Owners cease to have any legal or beneficial ownership interest in Franchisee and the effective date of termination or expiration (without renewal) of the Franchise Agreement, neither you nor any of your Owners directly or indirectly (such as through an Affiliate or through your or their Immediate Families) shall own a direct or indirect legal or beneficial interest in, or provide funding, lease property, render services or give advice to: (a) any Competitive Business operating within a radius of five (5) miles of any Lion's Choice Restaurant then in operation or under construction; or (b) any entity which grants franchises or licenses other interests to others to operate any Competitive Business. If you or any of your Owners fail to or refuse to abide by any of the foregoing covenants and Franchisor obtains enforcement in a judicial or arbitration proceeding, the obligations under the breached covenant will be tolled during the

period(s) of time that the covenant is breached and/or we seek to enforce it and will continue in effect for a period of time ending two (2) years after the date of the order enforcing the covenant.

17. You and each of your Owners expressly acknowledge the possession of skills and abilities of a general nature and the opportunity to exploit such skills in other ways, so that enforcement of the covenants contained in Sections 5 and 6 will not deprive any of you of your personal goodwill or ability to earn a living. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope or in terms of geographic area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, you and Franchisor agree that it will be enforced to the fullest extent permissible under applicable law and public policy. In addition to relief as may be available at equity or law, Franchisor may obtain in any court of competent jurisdiction any injunctive relief, including temporary restraining orders and preliminary injunctions, against conduct or threatened conduct for which no adequate remedy at law may be available or which may cause it irreparable harm. You and each of your Owners acknowledges that any violation of Sections 4, 5 or 6 hereof would result in irreparable injury for which no adequate remedy at law may be available. If Franchisor files a claim to enforce this Agreement and prevails in such proceeding, you agree to reimburse Franchisor for all its costs and expenses, including reasonable attorneys' fees.

IN WITNESS WHEREOF, the undersigned have executed and delivered this Agreement on the __ day of ________, ______.

**INVESTOR**
If an Individual:

______________________________
(Signature)

______________________________
(Print Name)

If a corporation, partnership, limited liability company or other legal entity:

______________________________
(Name of corporation, partnership, limited liability company or other legal entity)

By:______________________________
Print Name:______________________________
Title:______________________________

**OWNERS**

By:______________________________
Print Name:______________________________

By:______________________________
Print Name:______________________________

By:______________________________
Print Name:______________________________

By:____________________________________
Print Name:______________________________

## EXHIBIT C

## LC FRANCHISOR POLICY MANUAL TABLE OF CONTENTS

LION'S CHOICE
Famous Roast Beef Sandwiches

# SPEC BOOK:

Quick Reference for Standard Procedures in cooking and preparation:

## Table of Contents

## EXHIBIT D

## STATE AGENCIES/AGENTS
## FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states.

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

There also may be additional agents appointed in some of the states listed.

**CALIFORNIA**

Commissioner of the Department of
Financial Protection and Innovation:
Toll Free: 1 (866) 275-2677

***Los Angeles***

Suite 750
320 West 4th Street
Los Angeles, California 90013-2344
(213) 576-7500

***Sacramento***

1515 K Street, Suite 200
Sacramento, California 95814-4052
(916) 445-7205

***San Diego***

1350 Front Street, Rm. 2034
San Diego, California 92101-3697
(619) 525-4233

***San Francisco***

One Sansome Street, Suite 600
San Francisco, California 94105-2980
(415) 972-8559

**HAWAII**

(for service of process)

Commissioner of Securities Department of
Commerce and Consumer Affairs
Business Registration Division 335
Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

(for other matters)

Commissioner of Securities Department of
Commerce and Consumer Affairs
Business Registration Division 335
Merchant Street, Room 205
Honolulu, Hawaii 96813
(808) 586-2722

**ILLINOIS**

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

**INDIANA**

(for service of process)

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

(state agency)

Indiana Secretary of State
Securities Division Room E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

**MARYLAND**

(for service of process)

Maryland Securities Commissioner at the Office of Attorney General- Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

(state agency)

Office of the Attorney General- Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

**MICHIGAN**

Michigan Attorney General's Office
Consumer Protection Division
Attn: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48933
(517) 335-7567

**MINNESOTA**

Commissioner of Commerce Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1600

**NEW YORK**

(for service of process)

Attention: New York Secretary of State New York Department of State
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, New York 12231-0001
(518) 473-2492

(Administrator)

NYS Department of Law Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005
(212) 416-8236 (Phone)

**NORTH DAKOTA**

(for service of process)

Securities Commissioner
North Dakota Securities Department
600 East Boulevard Avenue, Suite 414
Bismarck, North Dakota 58505
(701) 328-4712

(state agency)

North Dakota Securities Department
600 East Boulevard Avenue, Suite 414
Bismarck, North Dakota 58505
(701) 328-2910

**OREGON**

Oregon Division of Financial Regulation
350 Winter Street NE, Suite 410
Salem, Oregon 97301
(503) 378-4140

**RHODE ISLAND**

Securities Division
Department of Business Regulations
1511 Pontiac Avenue
John O. Pastore Complex-Building 69-1
Cranston, Rhode Island 02920
(401) 462-9500

**SOUTH DAKOTA**

Division of Insurance Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-3563

**VIRGINIA**

(for service of process)

Clerk, State Corporation Commission
1300 East Main Street First Floor
Richmond, Virginia 23219
(804) 371-9733

(for other matters)

State Corporation Commission
Division of Securities and Retail
Franchising
Tyler Building, 9th Floor
1300 East Main Street
Richmond, Virginia 23219
(804) 371-9051

**WASHINGTON**

(for service of process)

Director Department of Financial
Institutions Securities Division
150 Israel Road SW
Tumwater, Washington 98501
(360) 902-8760

(for other matters)

Department of Financial Institutions
Securities Division
P. O. Box 9033
Olympia, Washington 98501-9033
(360) 902-8760

**WISCONSIN**

(for service of process)

Administrator, Division of Securities
Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-2139

(state administrator)

Division of Securities
Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-9555

**EXHIBIT E-1**

**LIST OF CURRENT FRANCHISEES**

531 Stewart Circle
Washington, MO 63090
Choice Foods Inc.
c/o Michelle K. Hoerstkamp
901 East 6th Street
Washington, MO 63090

Blake A. Kluesner blake@fas-trip.com 636-239-3444

721 W Springfield Road
Sullivan, MO 63080
Choice Foods Inc.
c/o Michelle K. Hoerstkamp
901 East 6th Street
Washington, MO 63090

Blake A. Kluesner blake@fas-trip.com 636-239-3444

4 Merlin Drive
Troy, MO 63379
BG&J Enterprises
Sandra Boll
466 Fox Trail Drive
Lake St. Louis, MO 63367

lionschoice@centurytel.net 314-498-6080

**EXHIBIT E-2**

**LIST OF FORMER FRANCHISEES**

None.

**EXHIBIT E-3**

**LIST OF COMPANY-OWNED UNITS**

Ballwin--01--BW
14919 Manchester Rd.
Ballwin, MO 63011

Creve Coeur--02--CC
12010 Olive Blvd.
Creve Coeur, MO 63141

Bridgeton--03--BR
11265 St. Charles Rock Rd.
Bridgeton, MO 63044

St. Peters--04--SP
3807 Veterans Memorial Pkwy
St. Peters, MO 63376

South County--05--SC
6030 S. Lindbergh Blvd.
St. Louis, MO 63123

Eureka--07--EU
1737 W. 5th St.
Eureka, MO 63025

Howdershell--08--HW
5952 Howdershell
Hazelwood, MO 63042

O'Fallon--09--OF
8710 Veterans Memorial Pkwy.
O'Fallon, MO 63366

Chesterfield--10--CH
17294 Chesterfield Airport Rd.
Chesterfield Missouri 63005

Fenton--11--FN
698 Gravois Bluffs Dr.
Fenton Missouri 63026

Sunset Hills--12--SH
10765 Sunset Hills Plaza
Sunset Hills, MO 63127

Hanley Road--13--HR
1605 S. Hanley Rd.
Brentwood, MO 63144

Des Peres--14--DP
11913 Manchester Rd.
Des Peres, MO 63131

Mid Rivers--15--MR
6274 Mid Rivers Mall Dr.
St.Peters Missouri 63376

Chippewa--16--CW
6630 Chippewa St.
St. Louis Missouri 63109

Elm Point--19--EL
3140 Elm Point Industrial Dr.
St. Charles, MO 63301

Arnold--20--AR
943 Jeffco Blvd.
Arnold, MO  63010

Ellisville--21--EV
3048 Clarkson Rd.
Ellisville, MO 63017

Wentzville-22-WV
901 W. Pearce Blvd.
Wentzville, MO 63385

Rock Hill-23-RH
9621 Manchester Rd.
Rock Hill, MO 63119

O'Fallon K---25---OFK
4520 Hwy K
O'Fallon, MO  63368

O'Fallon, IL - 26 -OFIL
450 Regency Park
O'Fallon, IL 62269

BJC Cortex - 27 - CRTX
4249 Clayton Ave
St. Louis, MO 63110

Independence - 28 - IND
4049 S. Little Blue Parkway
Independence, MO 64057

Olathe, KS - 29 - OLAT
14189 W 135th Street
Olathe, KS 66062

Overland Park - 30- OVPK
10313 Metcalf Ave
Overland Park, KS 66212

Edwardsville --31--EDIL
2384 Troy Road
Edwardsville, IL 62025

Liberty - 32 - LBTY
129 S. Stewart Road
Liberty, MO 64068

Lee's Summit - 33 - LSMT
440 NW Chipman Road
Lee's Summit, MO 64086

**EXHIBIT F**

**FINANCIAL STATEMENTS**

# GUARANTEE OF PERFORMANCE

For value received, LC Corporate LLC, a Delaware limited liability company (the "Guarantor"), absolutely and unconditionally guarantees to assume the duties and obligations of LC Franchisor, LLC, a Delaware limited liability company (the "Franchisor"), under its Franchise Agreements and Area Development Agreements described in its 2022 Franchise Disclosure Document, as it may be amended, and as those Franchise Agreements and Area Development Agreements may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under such Franchise Agreements and Area Development Agreements are satisfied or until the liability of Franchisor to its franchisees thereunder has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Saint Louis, Missouri on the 21st day of July, 2022.

**GUARANTOR:**

**LC CORPORATE LLC**

By: ______________________

Name: Michael J. Kupstas

Title: President and CEO

LION'S CHOICE®
Famous Roast Beef Sandwiches

# LC CORPORATE LLC AND SUBSIDIARIES

**d/b/a Lion's Choice**

Consolidated Financial Statements and Independent Auditors' Report

YEARS ENDED DECEMBER 25, 2021 AND DECEMBER 26, 2020

ANDERS
CPAs + ADVISORS

# Contents

# Independent Auditors' Report

Board of Directors
LC Corporate, LLC and Subsidiaries d/b/a Lion's Choice
St. Louis, Missouri

### *Opinion*

We have audited the accompanying consolidated financial statements of LC Corporate, LLC and Subsidiaries d/b/a Lion's Choice, which comprise the consolidated balance sheets as of December 25, 2021 and December 26, 2020, and the related consolidated statements of income and members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LC Corporate, LLC and Subsidiaries d/b/a Lion's Choice as of December 25, 2021 and December 26, 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of LC Corporate, LLC and Subsidiaries d/b/a Lion's Choice 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 Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LC Corporate, LLC and Subsidiaries d/b/a Lion's Choice's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Anders Minkler Huber & Helm LLP | 800 Market Street-Suite 500 | St. Louis, MO 63101-2501 | p (314) 655-5500 | f (314) 655-5501 | www.anderscpa.com

### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 LC Corporate, LLC and Subsidiaries d/b/a Lion's Choice'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LC Corporate, LLC and Subsidiaries d/b/a Lion's Choice'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.

Anders Minkler Huber & Helm LLP

March 30, 2022

## LC Corporate, LLC and Subsidiaries d/b/a Lion's Choice
## Consolidated Balance Sheets
## December 25, 2021 and December 26, 2020

### Assets

| | 2021 | 2020 |
|---|---|---|
| Current Assets | | |
| Cash | $ 2,161,624 | $ 3,666,406 |
| Accounts receivable | 325,678 | 357,734 |
| Rebates receivable | 90,414 | 107,088 |
| Employee retention credit receivable | 2,606,571 | - |
| Inventory | 341,130 | 351,787 |
| Prepaid expenses and other current assets | 187,496 | 155,524 |
| Total Current Assets | 5,712,913 | 4,638,539 |
| Property and Equipment, net | 19,108,059 | 23,814,399 |
| Other Assets | 120,919 | 148,977 |
| Intangible Assets, net | 3,561,572 | 3,683,025 |
| Goodwill | 6,077,555 | 6,077,555 |
| Total Assets | $ 34,581,018 | $ 38,362,495 |

### Liabilities and Members' Equity

| | 2021 | 2020 |
|---|---|---|
| Current Liabilities | | |
| Current maturities of long-term debt | $ 893,215 | $ 1,019,699 |
| Accounts payable | 1,301,602 | 1,499,530 |
| Accrued expenses and other current liabilities | 1,713,552 | 1,746,194 |
| Current portion of deferred gain on sale-leaseback | 550,354 | 428,237 |
| Total Current Liabilities | 4,458,723 | 4,693,660 |
| Deferred Gain on Sale-Leaseback | 7,950,899 | 6,402,677 |
| Deferred Lease Obligations | 449,490 | 276,108 |
| Long-term Debt, net | 11,030,792 | 18,149,385 |
| Total Liabilities | 23,889,904 | 29,521,830 |
| Members' Equity | 10,691,114 | 8,840,665 |
| Total Liabilities and Members' Equity | $ 34,581,018 | $ 38,362,495 |

See notes to consolidated financial statements

**LC Corporate, LLC and Subsidiaries d/b/a Lion's Choice**
**Consolidated Statements of Income and Members' Equity**
**Years Ended December 25, 2021 and December 26, 2020**

| | 2021 | 2020 |
|---|---|---|
| Gross Sales | | |
| Product sales, net | $ 34,873,777 | $ 32,151,028 |
| Franchise revenue | 159,189 | 144,235 |
| Total Sales, Net | 35,032,966 | 32,295,263 |
| Cost of Goods Sold | 21,535,168 | 18,818,597 |
| Gross Profit | 13,497,798 | 13,476,666 |
| Selling, General, and Administrative Expenses | 15,417,568 | 13,662,023 |
| Loss from Operations | (1,919,770) | (185,357) |
| Other Income (Expense) | | |
| Interest income | 3,710 | 7,421 |
| Interest expense | (709,338) | (722,133) |
| Financing costs amortization expense | (51,374) | (49,736) |
| Gain on sales of property and equipment, net | 421,923 | 409,521 |
| Paycheck Protection Program loan forgiveness income | 2,325,156 | - |
| Employee Retention Credit income | 2,606,571 | - |
| Other, net | 23,571 | 36,006 |
| Total Other Income (Expense) | 4,620,219 | (318,921) |
| Net Income (Loss) | 2,700,449 | (504,278) |
| Members' Equity, Beginning of Year | 8,840,665 | 9,344,943 |
| Distributions to Members | (850,000) | - |
| Members' Equity, End of Year | $ 10,691,114 | $ 8,840,665 |

## LC Corporate, LLC and Subsidiaries d/b/a Lion's Choice
## Consolidated Statements of Cash Flows
## Years Ended December 25, 2021 and December 26, 2020

| | 2021 | 2020 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Net income (loss) | $ 2,700,449 | $ (504,278) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 1,634,685 | 1,481,995 |
| Amortization of deferred financing fees | 51,374 | 49,736 |
| Amortization of intangible assets | 121,453 | 121,455 |
| Amortization of other assets | 11,947 | 17,403 |
| Amortization of deferred gain | (437,982) | (428,945) |
| Loss on sales of property and equipment | 16,059 | 19,424 |
| Paycheck Protection Program loan forgiveness income | (2,297,900) | - |
| (Increase) decrease in assets | | |
| Accounts receivable | 32,056 | (30,440) |
| Rebates receivable | 16,674 | 29,780 |
| Employee retention credit receivable | (2,606,571) | - |
| Inventory | 10,657 | (57,441) |
| Prepaid expenses and other current assets | (31,972) | 71,200 |
| Other assets | 16,111 | (30,844) |
| Increase (decrease) in liabilities | | |
| Accounts payable | (197,928) | (434,394) |
| Accrued expenses and other current liabilities | (32,642) | 687,409 |
| Deferred lease obligations | 173,382 | 151,980 |
| Net Cash Provided by (Used in) Operating Activities | (820,148) | 1,144,040 |
| **Cash Flows From Investing Activities** | | |
| Purchases of property and equipment | (323,833) | (3,338,373) |
| Proceeds from sales of property and equipment | 1,503,750 | - |
| Net Cash Provided by (Used in) Investing Activities | 1,179,917 | (3,338,373) |
| **Cash Flows From Financing Activities** | | |
| Payments on long-term debt | (1,014,551) | (617,506) |
| Proceeds from long-term debt | - | 5,370,270 |
| Deferred financing costs | - | (37,053) |
| Distributions to members | (850,000) | - |
| Net Cash Provided by (Used in) Financing Activities | (1,864,551) | 4,715,711 |
| Net Increase (Decrease) in Cash | (1,504,782) | 2,521,378 |
| Cash, Beginning of Year | 3,666,406 | 1,145,028 |
| Cash, End of Year | $ 2,161,624 | $ 3,666,406 |
| **Supplemental Disclosures of Cash Flow Information** | | |
| Cash paid for | | |
| Interest | $ 682,082 | $ 560,020 |

Noncash Investing and Financing Activities

During 2021, the Company used $3,984,000 of proceeds from sale-leaseback transactions to pay down existing debt. The Company also deferred gains totaling $2,108,321 in conjunction with the sales-leaseback transaction.

## 1. Nature of Operations and Basis of Presentation

### Nature of Operations

LC Corporate, LLC and Subsidiaries d/b/a Lion's Choice was organized in Delaware on July 19, 2013. The Company's headquarters are located in St. Louis, Missouri. The Company operates 33 Lion's Choice locations in Missouri, Kansas, and Illinois. As of December 25, 2021, the Company has three franchised locations.

LC Restaurant, LLC ("Restaurant"), a Delaware limited liability company, was organized in 2013. Restaurant manages the Lion's Choice restaurants.

LC Real Estate, LLC ("Real Estate"), a Delaware limited liability company, was organized in 2013. Real Estate holds real property and controls real property transactions.

LC Franchisor, LLC ("Franchisor"), a Delaware limited liability company, was organized in 2013. Franchisor supervises the three franchised restaurants.

### Fiscal Year

The Company's fiscal year ends on the last Saturday in December, and accordingly, the fiscal year-end dates are December 25, 2021 and December 26, 2020.

### Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with the provisions of the Financial Accounting Standards Board ("FASB"), Accounting Standards Codification (the "FASB ASC"), which is the source of authoritative, non-governmental accounting principles generally accepted in the United States of America ("GAAP"). All references to authoritative accounting guidance contained in our disclosures are based on the general accounting topics within the FASB ASC.

## 2. Summary of Significant Accounting Policies

### Principles of Consolidation

The consolidated financial statements include the accounts of LC Corporate, LLC and its wholly-owned subsidiaries: Restaurant, Real Estate, and Franchisor (collectively the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

### Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Fair Value Measurements

The Company follows guidance issued by the FASB on fair value measurements, which establishes a framework for measuring fair value, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. This guidance applies whenever fair value is the applicable measurement. The three general valuation techniques used to measure fair value are the market approach, cost approach, and income approach.

### Accounts Receivable

Accounts receivable for which the unconditional right to payment exists, are recognized when the right to consideration is unconditional and subject only to the passage of time. Accounts receivable consists primarily of amounts due from credit card sales.

The Company provides an allowance for doubtful accounts equal to the estimated losses that will be incurred in the collection of accounts receivable, if any. When necessary, this estimate is based on historical experience coupled with a review of the current status of existing receivables. The allowance and associated accounts receivable are reduced when the receivables are determined to be uncollectible. Changes in the estimate of uncollectible amounts are recorded as those circumstances become known and recognized as bad debt expense in the consolidated statements of income and members' equity. Currently, the Company considers accounts receivable to be fully collectible.

### Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out (FIFO) method and net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion.

### Property and Equipment

Property and equipment is stated at cost. Major additions and improvements are capitalized, while maintenance and repairs are expensed as incurred. When assets are sold or otherwise disposed of, the related cost and accumulated depreciation or amortization are removed from the accounts. Any gain or loss arising from such disposition is included as income or expense in the year of disposition.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the life of the related asset or the term of the lease.

The estimated lives for computing depreciation and amortization on property and equipment are:

| Classification | Years |
|---|---|
| Buildings and improvements | 15-39 |
| Furniture, fixtures, and equipment | 5-10 |

**Deferred Financing Costs**

Costs incurred in connection with financing activities are deferred and amortized to interest expense using the straight-line method over the terms of the related debt agreements. Deferred financing costs of $260,837 as of December 25, 2021 and December 26, 2020, are included as a direct deduction from the carrying amount of the related debt liabilities in the accompanying consolidated balance sheets, net of accumulated amortization of $165,449 and $114,075 as of December 25, 2021 and December 26, 2020, respectively. Amortization of deferred financing costs totaled $51,374 and $49,736 for the years ended December 25, 2021 and December 26, 2020, respectively.

**Goodwill and Other Intangible Assets**

Goodwill consists of $6,077,555 related to business combinations. In accordance with guidance issued by the FASB on goodwill and other intangible assets, such assets are deemed to have an indefinite life. If it is determined through a qualitative analysis that it is more likely than not that the fair value of a reporting unit is less than its carrying amount the Company will perform the two-step goodwill impairment test and write down to fair value if required. Management does not believe any impairment exists as of December 25, 2021 or December 26, 2020.

Intangible assets consisting of $284,292 related to franchise agreements are deemed to have a finite life. The associated costs are amortized over the life of the franchise agreements. Reacquired rights of $820,000 are amortized on a straight-line basis over the remaining contractual term that existed between the Company and the seller at the time the rights were reacquired. Intangible assets also consists of $3,111,000 related to the trade name of the Company which is deemed to have an indefinite life. The Company periodically reviews its intangible assets for impairment when events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Management does not believe any impairment exists as of December 25, 2021 or December 26, 2020.

### Long-Lived Asset Impairment

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. Management does not believe any impairment exists as of December 25, 2021 and December 26, 2020.

### Vendor Rebates

Vendor rebates are recorded as purchase discounts, which reduce the cost of inventory. The Company earned rebates of $288,652 and $264,332 during the years ended December 25, 2021 and December 26, 2020, respectively.

### Revenue Recognition

Revenue from product sales is recognized when control of these products is transferred to the customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products. The Company does not have any significant financing components as payment is received at or shortly after the point of sale. Costs incurred to obtain a contract are expensed as incurred when the amortization period is less than one year. Revenue from the sale of gift cards is deferred and recognized either upon redemption by the customer, or for unredeemed gift cards, on a pro rata basis over time.

### Advertising Costs

The Company expenses advertising costs as they are incurred. Advertising costs included in selling, general, and administrative expenses totaled $1,444,071 and $1,145,132 for the years ended December 25, 2021 and December 26, 2020, respectively.

### Sales Tax

The Company collects and remits taxes assessed by various governmental authorities. These taxes may include sales and use taxes. Taxes collected from customers are recognized as a liability with the liability subsequently reduced when the taxes are remitted to the respective taxing authority.

### Income Taxes

The Company is formed as a limited liability company and is taxed as a partnership for income tax purposes. Earnings and losses are included in the income tax returns of the members. Accordingly, the consolidated financial statements do not include a provision for income taxes.

The Company is required to evaluate tax positions taken (or expected to be taken) in the course of preparing the Company's tax returns and recognize a tax liability if the Company has taken an uncertain tax position that more likely than not would not be sustained upon examination by the applicable taxing authorities. The Company has analyzed the tax positions taken and has concluded that as of December 25, 2021 and December 26, 2020, there are no uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the consolidated financial statements.

If applicable, the Company recognizes interest and penalties related to unrecognized tax liabilities in the consolidated statements of income and members' equity.

Management is required to analyze all open tax years, as defined by the Statute of Limitations, for all major jurisdictions, including federal and certain state taxing authorities. The Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by taxing authorities for years before 2018. As of and for the years ended December 25, 2021 and December 26, 2020, the Company did not have a liability for any unrecognized taxes. The Company has no examinations in progress and is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax liabilities will significantly change in the next twelve months.

### Subsequent Events

The Company has evaluated subsequent events through March 30, 2022, the date the consolidated financial statements were available to be issued.

## Recent Accounting Pronouncements

### Leases

The FASB has issued new guidance on the recognition of lease assets and lease liabilities by lessees for those leases previously classified as operating leases. The guidance requires a lessee to recognize in the balance sheet a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. When measuring assets and liabilities arising from a lease, a lessee (and a lessor) should include payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. Similarly, optional payments to purchase the underlying asset should be included in the measurement of lease assets and lease liabilities only if the lessee is reasonably certain to exercise that purchase option. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous GAAP. There continues to be a differentiation between finance leases and operating leases. However, the principal difference from previous guidance is that the lease assets and lease liabilities arising from operating leases should be recognized in the balance sheet. The guidance will be required for the first fiscal year beginning after December 15, 2021. Based on a preliminary analysis, the Company does expect the guidance will have a significant impact on its consolidated financial statements.

### Intangibles - Goodwill and Other

The FASB has issued new guidance simplifying the subsequent measurement of goodwill. The guidance eliminates Step 2 from the goodwill impairment test. Instead, an entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting units fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The guidance also eliminates the requirement for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. The guidance will be required for the first fiscal year beginning after December 15, 2021. The Company does not expect the guidance will have a significant impact on its consolidated financial statements.

## 3. Contract Assets and Liabilities

Contract balances at year end are as follows:

| | December 25, 2021 | December 26, 2020 | December 28, 2019 |
|---|---|---|---|
| Accounts receivable | $ 325,678 | $ 357,734 | $ 327,294 |
| Unredeemed gift cards, net | 352,559 | 276,549 | 232,848 |

## 4. Inventory

The components of inventory at December 25, 2021 and December 26, 2020 are as follows:

| | 2021 | 2020 |
|---|---|---|
| Food and beverage | $ 237,341 | $ 236,710 |
| Paper products | 83,033 | 84,972 |
| Merchandise | 20,756 | 30,105 |
| | $ 341,130 | $ 351,787 |

## 5. Property and Equipment

Property and equipment at December 25, 2021 and December 26, 2020 is as follows:

| | 2021 | 2020 |
|---|---|---|
| Land | $ 2,842,783 | $ 4,320,389 |
| Buildings and improvements | 12,411,157 | 15,179,084 |
| Furniture, fixtures, and equipment | 9,586,769 | 9,649,424 |
| Construction in progress | 43,367 | 54,910 |
| | 24,884,076 | 29,203,807 |
| Less accumulated depreciation and amortization | 5,776,017 | 5,389,408 |
| | $ 19,108,059 | $ 23,814,399 |

Depreciation and amortization expense for the years ended December 25, 2021 and December 26, 2020 totaled $1,634,685 and $1,481,995, respectively.

## 6. Intangible Assets

The carrying amount and accumulated amortization of recognized intangible assets at December 25, 2021 and December 26, 2020 are as follows:

| | 2021 | | |
|---|---|---|---|
| | Carrying Amount | Accumulated Amortization | Net |
| Amortized intangible assets: | | | |
| Franchise agreements | $ 284,292 | $ (157,835) | $ 126,457 |
| Reacquired rights | 820,000 | (495,885) | 324,115 |
| | $ 1,104,292 | $ (653,720) | $ 450,572 |
| Unamortized intangible assets: | | | |
| Trade name | | | $ 3,111,000 |
| Total intangible assets | | | $ 3,561,572 |

| | 2020 | | |
|---|---|---|---|
| | Carrying Amount | Accumulated Amortization | Net |
| Amortized intangible assets: | | | |
| Franchise agreements | $ 284,292 | $ (138,882) | $ 145,410 |
| Reacquired rights | 820,000 | (393,385) | 426,615 |
| | $ 1,104,292 | $ (532,267) | $ 572,025 |
| Unamortized intangible assets: | | | |
| Trade name | | | $ 3,111,000 |
| Total intangible assets | | | $ 3,683,025 |

Amortization expense on the above intangibles was $121,453 and $121,455 for the years ended December 25, 2021 and December 26, 2020, respectively.

Amortization expense for the five years subsequent to 2021 is estimated to be as follows:

| Years Ending: | |
|---|---|
| 2022 | $ 121,453 |
| 2023 | 93,210 |
| 2024 | 71,548 |
| 2025 | 63,080 |
| Thereafter | 101,281 |
| | $ 450,572 |

## 7. Gift Card Reserve

The Company records a reserve for gift cards equal to the estimated balance outstanding greater than three years. This estimate is based on historical experience coupled with a review of the current status of the existing gift cards outstanding balance which was $475,307 and $381,130 at December 25, 2021 and December 26, 2020, respectively. The reserve and associated liability are reduced when the gift cards are believed to be unredeemable. The reserve balance totaled $122,748 and $104,581 for the years ended December 25, 2021 and December 26, 2020, respectively.

Changes in the gift card card reserve for the years ended December 25, 2021 and December 26, 2020 are as follows:

| | 2021 | 2020 |
|---|---|---|
| Reserve balance, beginning of year | $ 104,581 | $ 87,600 |
| Balance accrued during the year related to gift cards outstanding more than three years | 18,167 | 16,981 |
| Reserve balance, end of year | $ 122,748 | $ 104,581 |

## 8. Line of Credit

The Company has a line of credit agreement (the "Agreement") of $1,000,000 scheduled to expire on June 30, 2022. Borrowings are charged interest at LIBOR (0.10 percent at December 25, 2021) plus 2.30 percent, but not less than 3.00 percent per annum, and are secured by all of the Company's assets. The Company is subject to certain restrictions and covenants as defined in the Agreement. The Company was in compliance with all covenants at December 25, 2021. There were no borrowings outstanding at December 25, 2021 and December 26, 2020.

## 9. Long-term Debt

Long-term debt at December 25, 2021 and December 26, 2020 is as follows:

| | 2021 | 2020 |
|---|---|---|
| Note payable to bank, due in monthly payments of $31,356 including interest at 4.90 percent, final balloon payment of $402,262 due May 16, 2023, collateralized by all business assets. | $ 859,503 | $ 1,184,254 |
| Note payable to bank, due in monthly payments of $8,192 including interest at 4.80 percent, final balloon payment of $889,714, due May 16, 2023, collateralized by all business assets. During the year ended December 25, 2021, the Company used proceeds from the sale of land and buildings to pay down principal on this loan. | 958,141 | 5,215,974 |
| Note payable to bank, due in monthly payments of $9,792 including interest at 5.73 percent, final balloon payment of $1,197,610 due February 29, 2024, collateralized by all business assets. | 1,290,129 | 1,331,385 |
| Note payable to bank, due in monthly payments of $11,097 including interest at 3.97 percent, final balloon payment of $1,508,519 due January 3, 2025, collateralized by all business assets. | 1,708,383 | 1,771,406 |
| Note payable to bank, due in monthly payments of $11,741 including interest at 3.97 percent, final balloon payment of $1,596,017 due January 3, 2025, collateralized by all business assets. | 1,807,295 | 1,873,974 |
| Note payable to bank, due in monthly payments of $9,138 including interest at 4.70 percent, final balloon payment of $499,704 due August 18, 2024, collateralized by all business assets. | 706,179 | 780,253 |
| Note payable to bank, due in monthly payments of $5,743 including interest at 4.70 percent, final balloon payment of $316,967 due October 25, 2024, collateralized by all business assets. | 454,273 | 500,341 |

| | | | | |
|---|---|---|---|---|
| Note payable to bank, due in monthly payments of $7,909 including interest at 2.78 percent, with final balloon payment of $986,457 due January 3, 2026, collateralized by all business assets. | $ | 1,238,850 | $ | 1,293,492 |
| Note payable to bank, due in monthly payments of $3,943 including interest at 2.97 percent, with final balloon payment of $847,263 due February 27, 2026, collateralized by all business assets. | | 934,788 | | 949,108 |
| Note payable to bank, due in monthly payments of $2,395 including interest at 2.97 percent, with final balloon payment of $181,523 due February 27, 2026, collateralized by all business assets. | | 272,108 | | 287,340 |
| Note payable to bank, due in monthly payments of $7,087 including interest at 3.20 percent, with final balloon payment of $874,573 due April 30, 2026, collateralized by all business assets. | | 1,095,670 | | 1,124,887 |
| Note payable to bank, due in monthly payments of $1,687 including interest at 3.50 percent, with final balloon payment of $374,552 due June 26, 2026, collateralized by all business assets. | | 401,200 | | 404,921 |
| Note payable to bank, due in monthly payments of $3,083 including interest at 3.50 percent, with final balloon payment of $167,150 due June 26, 2026, collateralized by all business assets. | $ | 292,876 | $ | 300,611 |
| Note payable under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security Act. | | - | | 2,297,900 |
| | | 12,019,395 | | 19,315,846 |
| Less unamortized deferred financing costs | | 95,388 | | 146,762 |
| Less current maturities | | 893,215 | | 1,019,699 |
| | $ | 11,030,792 | $ | 18,149,385 |

Maturities of long-term debt as of December 25, 2021, are as follows:

| Years Ending: | | |
|---|---|---|
| 2022 | $ | 893,215 |
| 2023 | | 1,933,162 |
| 2024 | | 2,441,296 |
| 2025 | | 3,297,348 |
| 2026 | | 3,454,374 |
| | $ | 12,019,395 |

On August 27, 2021, the Company entered into an equipment loan agreement not to exceed $1,000,000. The Company may receive advances for a period of twelve months from the effective date, during which payments consist of interest only. After the advancement period of twelve months, monthly principal and interest payments are due based on the amount borrowed. Maturity date of the equipment loan is August 27, 2025. This note is subject to certain restrictions and covenants as defined in the equipment loan agreement. The Company was in compliance with all covenants at December 25, 2021. There were no borrowings outstanding at December 25, 2021.

## 10. CARES Act Funding

On March 27, 2020 the Coronavirus, Aid, Relief, and Economic Security ("CARES") Act was enacted in response to the COVID-19 pandemic. The CARES Act, among other things, provided Employee Retention Credits ("ERCs") to domestic businesses and organizations. These ERCs are refundable tax credits that can be taken against employment taxes and applied to qualified wages. For the year ended December 25, 2021, the ERCs totaled $2,606,571 and are included in other income on the accompanying consolidated statements of income and members' equity.

The Company received a loan from UMB Bank in the amount of $2,297,900 under the Paycheck Protection Program established by the CARES Act. The loan is subject to a note dated April 9, 2020 and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. The Company applied for and has been notified on June 10, 2021 that $2,297,900 in eligible expenditures for payroll and other expenses described in the CARES Act and interest of $27,256 has been forgiven. Loan forgiveness is included in other income (expense) in the accompanying consolidated statement of income and members' equity.

## 11. Sale-Leaseback Transactions

During 2021, the Company sold the land and buildings related to three properties for total consideration of $5,753,000, resulting in a gain of $2,108,321. Simultaneous with the sales, the Company entered into agreements to lease the properties back under operating leases for initial terms of 17-20 years. The gains resulting from the sales have been recorded as deferred income and are being amortized over the corresponding lease terms. There were no sale-leaseback transactions during 2020, however, there is deferred income from sales-leaseback transactions for years prior to 2020 included in the consolidated balance sheet. Deferred gain on sales totaled $8,501,253 and $6,830,914 as of December 25, 2021 and December 26, 2020, respectively. The gains recognized for the years ended December 25, 2021 and December 26, 2020 totaled $437,982 and $428,945, respectively.

The deferred gain on sales is expected to be amortized as follows:

| Years Ending: | |
|---|---|
| 2022 | $ 550,354 |
| 2023 | 550,354 |
| 2024 | 550,354 |
| 2025 | 550,354 |
| 2026 | 550,354 |
| Thereafter | 5,749,483 |
| | $ 8,501,253 |

Future minimum lease payments as of December 25, 2021, are as follows:

| Years Ending: | |
|---|---|
| 2022 | $ 1,192,500 |
| 2023 | 1,239,992 |
| 2024 | 1,280,077 |
| 2025 | 1,288,756 |
| 2026 | 1,292,364 |
| Thereafter | 15,973,489 |
| | $ 22,267,178 |

Rent expense related to the sale-leaseback transactions for the years ended December 25, 2021 and December 26, 2020 totaled $910,833 and $872,500, respectively.

## 12. Related Party Transactions

The Company has an advisory services agreement with a member of the Company, whereby the member provides advisory services in relation to the affairs of the Company. In return, the member is paid an annual management fee of 1 percent of the consolidated gross revenue of the Company, payable in monthly installments through October 31, 2021, with automatic one-year renewals. For the years ended December 25, 2021 and December 26, 2020, the Company paid $357,428 and $329,420, respectively, related to this agreement, which is reported as a component of selling, general, and administrative expenses in the accompanying consolidated statements of income and members' equity.

## 13. Franchise Operations

As of December 25, 2021, the Company maintains three franchise agreements with independent operators who pay franchise fees consisting of royalties and marketing for operating three locations. These agreements expire at various times between June 2024 and August 2025. Franchisee royalties and fees were $159,189 and $144,235 for the years ended December 25, 2021 and December 26, 2020, respectively. There were no material direct franchise expenses for the years ended December 25, 2021 and December 26, 2020.

## 14. Change in Control Bonus Plan

The Company entered into a change in control bonus plan (the "Plan") for key employees effective May 15, 2017. The Plan requires the Company to establish an incentive pool from which bonuses will be paid to key employees if certain metrics are met. Upon a change in control, as defined in the Plan, the pool will pay amounts to key employees in accordance with their respective applicable percentage, as defined in the Plan. As no change in control occurred during the years ended December 25, 2021 or December 26, 2020, no bonuses were paid.

## 15. Retirement Plans

The Company maintains a contributory retirement savings plan under Section 401(k) of the Internal Revenue Code covering substantially all full-time employees who are 21 years of age or older. Employer contributions to the plan totaled $44,107 and $49,619 for the years ended December 25, 2021 and December 26, 2020, respectively.

## 16. Risks and Uncertainties

### Business Concentrations

Purchases from one vendor were approximately 88 and 87 percent of the Company's purchases for the years ended December 25, 2021 and December 26, 2020, respectively.

### Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and accounts receivable. The Company maintains its cash primarily with one financial institution. Deposits at this bank are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At December 25, 2021, there were cash balances of $2,541,628 in excess of FDIC limits at the bank.

## 17. Commitments and Contingencies

### Leases

The Company leases certain real property and office equipment under noncancelable leases that expire on various dates through December 2041, one of which contains a contingent rental amount based on the greater of the base monthly rent or a percentage of gross sales. Future minimum lease payments at December 25, 2021, are as follows:

| Years Ending: | |
|---|---|
| 2022 | $ 2,567,020 |
| 2023 | 2,605,251 |
| 2024 | 2,581,431 |
| 2025 | 2,529,265 |
| 2026 | 2,419,902 |
| Thereafter | 21,136,393 |
| | $ 33,839,262 |

The preceding minimum lease payment amounts do not include any contingent rental estimates. Rent expense related to operating leases for the years ended December 25, 2021 and December 26, 2020 totaled $2,454,833 and $2,325,017, respectively, which included $32,382 and $24,650 of contingent rental expense, respectively.

### Purchase Commitments

The Company has a purchase agreement with a supplier for inventory purchases which expires March 30, 2024. In exchange for an annual marketing allowance of $50,000 and agreed upon pricing terms, the Company must have purchased 80 percent of all inventory purchases from the supplier.

Lion's Choice
Famous Roast Beef Sandwiches

# LC CORPORATE LLC AND SUBSIDIARIES

**d/b/a Lion's Choice**

Consolidated Financial Statements and
Independent Auditors' Report

YEARS ENDED DECEMBER 26, 2020 AND DECEMBER 28, 2019

ANDERS
CPAs + ADVISORS

# Contents

## Independent Auditors' Report

Board of Directors and Stockholders
LC Corporate, LLC and Subsidiaries d/b/a Lion's Choice
St. Louis, Missouri

We have audited the accompanying consolidated financial statements of LC Corporate, LLC and Subsidiaries d/b/a Lion's Choice, which comprise the consolidated balance sheets as of December 26, 2020 and December 28, 2019, and the related consolidated statements of income and members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Anders Minkler Huber & Helm LLP | 800 Market Street-Suite 500 | St. Louis, MO 63101-2501 | p (314) 655-5500 | f (314) 655-5501 | www.anderscpa.com

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LC Corporate, LLC and Subsidiaries d/b/a Lion's Choice as of December 26, 2020 and December 28, 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.

Anders Minkler Huber & Helm LLP

March 24, 2021

## LC Corporate, LLC and Subsidiaries d/b/a Lion's Choice
## Consolidated Balance Sheets
## December 26, 2020 and December 28, 2019

### Assets

| | 2020 | 2019 |
|---|---|---|
| Current Assets | | |
| Cash | $ 3,666,406 | $ 1,145,028 |
| Accounts receivable | 357,734 | 327,294 |
| Rebates receivable | 107,088 | 136,868 |
| Inventory | 351,787 | 294,346 |
| Prepaid expenses and other current assets | 155,524 | 226,724 |
| Total Current Assets | 4,638,539 | 2,130,260 |
| Property and Equipment, net | 23,814,399 | 21,977,445 |
| Other Assets | 148,977 | 135,536 |
| Intangible Assets, net | 3,683,025 | 3,804,480 |
| Goodwill | 6,077,555 | 6,077,555 |
| Total Assets | $ 38,362,495 | $ 34,125,276 |

### Liabilities and Members' Equity

| | 2020 | 2019 |
|---|---|---|
| Current Liabilities | | |
| Current maturities of long-term debt | $ 1,019,699 | $ 866,939 |
| Accounts payable | 1,499,530 | 1,933,924 |
| Accrued expenses and other current liabilities | 1,746,194 | 1,058,785 |
| Current portion of deferred gain on sale-leaseback | 428,237 | 428,237 |
| Total Current Liabilities | 4,693,660 | 4,287,885 |
| Deferred Gain on Sale-Leaseback | 6,402,677 | 6,831,622 |
| Deferred Lease Obligations | 276,108 | 124,128 |
| Long-term Debt, net | 18,149,385 | 13,536,698 |
| Total Liabilities | 29,521,830 | 24,780,333 |
| Members' Equity | 8,840,665 | 9,344,943 |
| Total Liabilities and Members' Equity | $ 38,362,495 | $ 34,125,276 |

See notes to consolidated financial statements

## LC Corporate, LLC and Subsidiaries d/b/a Lion's Choice
## Consolidated Statements of Income and Members' Equity
## Years Ended December 26, 2020 and December 28, 2019

| | 2020 | 2019 |
|---|---|---|
| Gross Sales | | |
| Product sales, net | $ 32,151,028 | $ 32,195,751 |
| Franchise revenue | 144,235 | 146,557 |
| Total Sales, Net | 32,295,263 | 32,342,308 |
| Cost of Goods Sold | 18,818,597 | 18,743,859 |
| Gross Profit | 13,476,666 | 13,598,449 |
| Selling, General, and Administrative Expenses | 13,662,023 | 12,589,847 |
| Income (Loss) from Operations | (185,357) | 1,008,602 |
| Other Income (Expense) | | |
| Interest income | 7,421 | 12,547 |
| Interest and financing costs amortization expense | (771,869) | (777,734) |
| Gain (loss) on sales of property and equipment | 409,521 | (93,959) |
| Other, net | 36,006 | 26,708 |
| Total Other Expense | (318,921) | (832,438) |
| Net Income (Loss) | (504,278) | 176,164 |
| Members' Equity, Beginning of Year | 9,344,943 | 9,743,779 |
| Distributions to Members | - | (575,000) |
| Members' Equity, End of Year | $ 8,840,665 | $ 9,344,943 |

**LC Corporate, LLC and Subsidiaries d/b/a Lion's Choice**
**Consolidated Statements of Cash Flows**
**Years Ended December 26, 2020 and December 28, 2019**

| | 2020 | 2019 |
|---|---|---|
| Cash Flows From Operating Activities | | |
| Net income (loss) | $ (504,278) | $ 176,164 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities | | |
| Depreciation and amortization | 1,481,995 | 1,167,316 |
| Amortization of deferred financing fees | 49,736 | 36,266 |
| Amortization of intangible assets | 121,455 | 121,449 |
| Amortization of other assets | 17,403 | 11,948 |
| Amortization of deferred gain | (428,945) | (388,855) |
| Loss on sales of property and equipment | 19,424 | 482,814 |
| (Increase) decrease in assets | | |
| Accounts receivable | (30,440) | (39,241) |
| Rebates receivable | 29,780 | (86,947) |
| Inventory | (57,441) | 27,736 |
| Prepaid expenses and other current assets | 71,200 | 903 |
| Other assets | (30,844) | - |
| Increase (decrease) in liabilities | | |
| Accounts payable | (434,394) | (342,174) |
| Accrued expenses and other current liabilities | 687,409 | 99,708 |
| Deferred lease obligations | 151,980 | 124,128 |
| Net Cash Provided by Operating Activities | 1,144,040 | 1,391,215 |
| Cash Flows From Investing Activities | | |
| Purchases of property and equipment | (3,338,373) | (5,535,297) |
| Proceeds from sales of property and equipment | - | 1,895,614 |
| Net Cash Used in Investing Activities | (3,338,373) | (3,639,683) |
| Cash Flows From Financing Activities | | |
| Payments on long-term debt | (617,506) | (889,192) |
| Proceeds from long-term debt | 5,370,270 | 2,430,700 |
| Deferred financing costs | (37,053) | (50,766) |
| Distributions to members | - | (575,000) |
| Net Cash Provided by Financing Activities | 4,715,711 | 915,742 |
| Net Increase (Decrease) in Cash | 2,521,378 | (1,332,726) |
| Cash, Beginning of Year | 1,145,028 | 2,477,754 |
| Cash, End of Year | $ 3,666,406 | $ 1,145,028 |
| Supplemental Disclosures of Cash Flow Information | | |
| Cash paid for | | |
| Interest | $ 560,020 | $ 728,687 |

Noncash Investing and Financing Activities
During 2019, the Company used $2,152,000 of its proceeds from sale-leaseback transactions to pay down existing debt.

## 1. Nature of Operations and Basis of Presentation

### Nature of Operations

LC Corporate, LLC and Subsidiaries d/b/a Lion's Choice was organized in Delaware on July 19, 2013. The Company's headquarters are located in St. Louis, Missouri. The Company operates 33 Lion's Choice locations in Missouri, Kansas, and Illinois. As of December 26, 2020, the Company has three franchised locations.

LC Restaurant, LLC ("Restaurant"), a Delaware limited liability company, was organized in 2013. Restaurant manages the Lion's Choice restaurants.

LC Real Estate, LLC ("Real Estate"), a Delaware limited liability company, was organized in 2013. Real Estate holds real property and controls real property transactions.

LC Franchisor, LLC ("Franchisor"), a Delaware limited liability company, was organized in 2013. Franchisor supervises the three franchised restaurants.

### Fiscal Year

The Company's fiscal year ends on the last Saturday in December, and accordingly, the fiscal year-end dates are December 26, 2020 and December 28, 2019.

### Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with the provisions of the Financial Accounting Standards Board ("FASB"), Accounting Standards Codification (the "FASB ASC"), which is the source of authoritative, non-governmental accounting principles generally accepted in the United States of America ("GAAP"). All references to authoritative accounting guidance contained in our disclosures are based on the general accounting topics within the FASB ASC.

## 2. Summary of Significant Accounting Policies

### Principles of Consolidation

The consolidated financial statements include the accounts of LC Corporate, LLC and its wholly-owned subsidiaries: Restaurant, Real Estate, and Franchisor (collectively the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

### Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Fair Value Measurements

The Company follows guidance issued by the FASB on fair value measurements, which establishes a framework for measuring fair value, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. This guidance applies whenever fair value is the applicable measurement. The three general valuation techniques used to measure fair value are the market approach, cost approach, and income approach.

### Accounts Receivable

Accounts receivable for which the unconditional right to payment exists, are recognized when the right to consideration is unconditional and subject only to the passage of time. Accounts receivable consists primarily of amounts due from credit card sales.

The Company provides an allowance for doubtful accounts equal to the estimated losses that will be incurred in the collection of accounts receivable, if any. When necessary, this estimate is based on historical experience coupled with a review of the current status of existing receivables. The allowance and associated accounts receivable are reduced when the receivables are determined to be uncollectible. Changes in the estimate of uncollectible amounts are recorded as those circumstances become known and recognized as bad debt expense in the consolidated statements of income and members' equity. Currently, the Company considers accounts receivable to be fully collectible.

### Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out (FIFO) method and net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion.

### Property and Equipment

Property and equipment is stated at cost. Major additions and improvements are capitalized, while maintenance and repairs are expensed as incurred. When assets are sold or otherwise disposed of, the related cost and accumulated depreciation or amortization are removed from the accounts. Any gain or loss arising from such disposition is included as income or expense in the year of disposition.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the life of the related asset or the term of the lease.

The estimated lives for computing depreciation and amortization on property and equipment are:

| Classification | Years |
|---|---|
| Buildings and improvements | 15-39 |
| Furniture, fixtures, and equipment | 5-10 |

**Deferred Financing Costs**

Costs incurred in connection with financing activities are deferred and amortized to interest expense using the straight-line method over the terms of the related debt agreements. Deferred financing costs of $260,837 and $223,784 as of December 26, 2020 and December 28, 2019, respectively, are included as a direct deduction from the carrying amount of the related debt liabilities in the accompanying consolidated balance sheets, net of accumulated amortization of $114,075 and $64,339 as of December 26, 2020 and December 28, 2019, respectively. Amortization of deferred financing costs totaled $49,736 and $36,266 for the years ended December 26, 2020 and December 28, 2019, respectively.

**Goodwill and Other Intangible Assets**

Goodwill consists of $6,077,555 related to business combinations. In accordance with guidance issued by the FASB on goodwill and other intangible assets, such assets are deemed to have an indefinite life. If it is determined through a qualitative analysis that it is more likely than not that the fair value of a reporting unit is less than its carrying amount the Company will perform the two-step goodwill impairment test and write down to fair value if required. Management does not believe any impairment exists as of December 26, 2020 or December 28, 2019.

Intangible assets consisting of $284,292 related to franchise agreements are deemed to have a finite life. The associated costs are amortized over the life of the franchise agreements. Reacquired rights of $820,000 are amortized on a straight-line basis over the remaining contractual term that existed between the Company and the seller at the time the right was reacquired. Intangible assets also consists of $3,111,000 related to the trade name of the Company which is deemed to have an indefinite life. The Company periodically reviews its amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Management does not believe any impairment exists as of December 26, 2020 or December 28, 2019.

## Long-Lived Asset Impairment

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 26, 2020 and December 28, 2019.

## Vendor Rebates

Vendor rebates are recorded as purchase discounts, which reduce the cost of inventory. The Company earned rebates of $264,332 and $275,595 during the years ended December 26, 2020 and December 28, 2019, respectively.

## Revenue Recognition

Revenue from product sales is recognized when control of these products is transferred to the customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products. The Company does not have any significant financing components as payment is received at or shortly after the point of sale. Costs incurred to obtain a contract are expensed as incurred when the amortization period is less than one year. Revenue from the sale of gift cards is deferred and recognized either upon redemption by the customer, or for unredeemed gift cards, on a pro rata basis over time.

## Advertising Costs

The Company expenses advertising costs as they are incurred. Advertising costs included in selling, general, and administrative expenses totaled $1,145,132 and $977,550 for the years ended December 26, 2020 and December 28, 2019, respectively.

## Sales Tax

The Company collects and remits taxes assessed by various governmental authorities. These taxes may include sales and use taxes. Taxes collected from customers are recognized as a liability with the liability subsequently reduced when the taxes are remitted to the respective taxing authority.

## Income Taxes

The Company is formed as a limited liability company and is taxed as a partnership for income tax purposes. Earnings and losses are included in the income tax returns of the members. Accordingly, the consolidated financial statements do not include a provision for income taxes.

The Company is required to evaluate tax positions taken (or expected to be taken) in the course of preparing the Company's tax returns and recognize a tax liability if the Company has taken an uncertain tax position that more likely than not would not be sustained upon examination by the applicable taxing authorities. The Company has analyzed the tax positions taken and has concluded that as of December 26, 2020 and December 28, 2019, there are no uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the consolidated financial statements.

If applicable, the Company recognizes interest and penalties related to unrecognized tax liabilities in the consolidated statements of income and members' equity.

Management is required to analyze all open tax years, as defined by the Statute of Limitations, for all major jurisdictions, including federal and certain state taxing authorities. The Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by taxing authorities for years before 2017. As of and for the years ended December 26, 2020 and December 28, 2019, the Company did not have a liability for any unrecognized taxes. The Company has no examinations in progress and is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax liabilities will significantly change in the next twelve months.

**Subsequent Events**

The Company has evaluated subsequent events through March 24, 2021, the date the consolidated financial statements were available to be issued.

## Recent Accounting Pronouncements

### Leases

The FASB has issued new guidance on the recognition of lease assets and lease liabilities by lessees for those leases previously classified as operating leases. The guidance requires a lessee to recognize in the balance sheet a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. When measuring assets and liabilities arising from a lease, a lessee (and a lessor) should include payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. Similarly, optional payments to purchase the underlying asset should be included in the measurement of lease assets and lease liabilities only if the lessee is reasonably certain to exercise that purchase option. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous GAAP. There continues to be a differentiation between finance leases and operating leases. However, the principal difference from previous guidance is that the lease assets and lease liabilities arising from operating leases should be recognized in the balance sheet. The guidance will be required for the first fiscal year beginning after December 15, 2021. Based on a preliminary analysis, the Company does expect the guidance will have a significant impact on its consolidated financial statements.

### Intangibles - Goodwill and Other

The FASB has issued new guidance simplifying the subsequent measurement of goodwill. The guidance eliminates Step 2 from the goodwill impairment test. Instead, an entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting units fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The guidance also eliminates the requirement for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. The guidance will be required for the first fiscal year beginning after December 15, 2021. The Company has not yet determined what impact, if any, this new guidance will have on its consolidated financial statements.

## 3. Contract Assets and Liabilities

Contract balances at year end are as follows:

| | December 26, 2020 | December 28, 2019 | December 29, 2018 |
|---|---|---|---|
| Accounts receivable | $ 357,734 | $ 327,294 | $ 288,053 |
| Unredeemed gift cards, net | 276,549 | 232,848 | 192,755 |

## 4. Inventory

The components of inventory at December 26, 2020 and December 28, 2019 are as follows:

| | 2020 | 2019 |
|---|---|---|
| Food and beverage | $ 236,710 | $ 199,508 |
| Paper products | 84,972 | 64,323 |
| Merchandise | 30,105 | 30,515 |
| | $ 351,787 | $ 294,346 |

## 5. Property and Equipment

Property and equipment at December 26, 2020 and December 28, 2019 is as follows:

| | 2020 | 2019 |
|---|---|---|
| Land | $ 4,320,389 | $ 4,320,389 |
| Buildings and improvements | 15,179,084 | 11,545,824 |
| Furniture, fixtures, and equipment | 9,649,424 | 8,311,794 |
| Construction in progress | 54,910 | 1,718,179 |
| | 29,203,807 | 25,896,186 |
| Less accumulated depreciation and amortization | 5,389,408 | 3,918,741 |
| | $ 23,814,399 | $ 21,977,445 |

Depreciation and amortization expense for the years ended December 26, 2020 and December 28, 2019 totaled $1,481,995 and $1,167,316, respectively.

## 6. Intangible Assets

The carrying amount and accumulated amortization of recognized intangible assets at December 26, 2020 and December 28, 2019 are as follows:

| | 2020 | | |
|---|---|---|---|
| | Carrying Amount | Accumulated Amortization | Net |
| Amortized intangible assets: | | | |
| Franchise agreements | $ 284,292 | $ (138,882) | $ 145,410 |
| Reacquired rights | 820,000 | (393,385) | 426,615 |
| | $ 1,104,292 | $ (532,267) | $ 572,025 |
| Unamortized intangible assets: | | | |
| Trade name | | | $ 3,111,000 |
| Total intangible assets | | | $ 3,683,025 |

| | 2019 | | |
|---|---|---|---|
| | Carrying Amount | Accumulated Amortization | Net |
| Amortized intangible assets: | | | |
| Franchise agreements | $ 284,292 | $ (119,926) | $ 164,366 |
| Reacquired rights | 820,000 | (290,886) | 529,114 |
| | $ 1,104,292 | $ (410,812) | $ 693,480 |
| Unamortized intangible assets: | | | |
| Trade name | | | $ 3,111,000 |
| Total intangible assets | | | $ 3,804,480 |

Amortization expense on the above intangibles was $121,455 and $121,449 for the years ended December 26, 2020 and December 28, 2019, respectively.

Amortization expense for the five years subsequent to 2020 is estimated to be as follows:

| Years Ending: | |
|---|---|
| 2021 | $ 121,453 |
| 2022 | 121,453 |
| 2023 | 93,210 |
| 2024 | 71,548 |
| Thereafter | 164,361 |
| | $ 572,025 |

## 7. Gift Card Reserve

The Company records a reserve for gift cards equal to the estimated balance outstanding greater than three years. This estimate is based on historical experience coupled with a review of the current status of the existing gift cards outstanding balance which was $381,130 and $320,448 at December 26, 2020 and December 28, 2019, respectively. The reserve and associated liability are reduced when the gift cards are believed to be unredeemable. The reserve balance totaled $104,581 and $87,600 for the years ended December 26, 2020 and December 28, 2019, respectively.

Changes in the gift card card reserve for the years ended December 26, 2020 and December 28, 2019 are as follows:

| | 2020 | 2019 |
|---|---|---|
| Reserve balance, beginning of year | $ 87,600 | $ - |
| Balance accrued during the year related to gift cards outstanding more than three years | 16,981 | 87,600 |
| Reserve balance, end of year | $ 104,581 | $ 87,600 |

## 8. Line of Credit

During 2020, the Company entered into a line of credit agreement (the "Agreement") of $1,000,000 scheduled to expire on April 1, 2021. Borrowings are charged interest at LIBOR (0.14 percent at December 26, 2020) plus 2.30 percent, but no less than 3.50 percent per annum, and are secured by all of the Company's assets. The Company is subject to certain restrictions and covenants as defined in the Agreement. The Company was in compliance with all covenants at December 26, 2020. There were no borrowings outstanding at December 26, 2020 and December 28, 2019. In March 2021, the maturity date of the Agreement was extended 90 days to June 30, 2021.

## 9. Long-term Debt

Long-term debt at December 26, 2020 and December 28, 2019 is as follows:

| | 2020 | 2019 |
|---|---|---|
| Note payable to bank, due in monthly payments of $31,356 including interest at 4.90 percent, final balloon payment of $399,577 due May 16, 2023, collateralized by all business assets. | $ 1,184,254 | $ 1,417,417 |
| Note payable to bank, due in monthly payments of $41,744 including interest at 4.80 percent, final balloon payment of $4,606,378, due May 16, 2023, collateralized by all business assets. | 5,215,974 | 5,397,376 |
| Note payable to bank, due in monthly payments of $9,792 including interest at 5.73 percent, final balloon payment of $1,188,644 due February 29, 2024, collateralized by all business assets. | 1,331,385 | 1,354,136 |
| Note payable to bank, due in monthly payments of $11,097 including interest at 3.97 percent, final balloon payment of $1,503,375 due January 3, 2025, collateralized by all business assets. | 1,771,406 | 1,816,988 |
| Note payable to bank, due in monthly payments of $11,741 including interest at 3.97 percent, final balloon payment of $1,590,574 due January 3, 2025, collateralized by all business assets. | 1,873,974 | 1,922,201 |
| Note payable to bank, due in monthly payments of $9,138 including interest at 4.70 percent, final balloon payment of $497,683 due August 18, 2024, collateralized by all business assets. | 780,253 | 833,511 |
| Note payable to bank, due in monthly payments of $5,743 including interest at 4.70 percent, final balloon payment of $315,724 due October 25, 2024, collateralized by all business assets. | 500,341 | 533,464 |

| | | |
|---|---|---|
| Note payable to bank ("Note 1"), monthly payments of interest only at LIBOR (0.14 percent at December 26, 2020) plus an applicable margin as defined in Note 1 through January 3, 2021, principal and interest payments of $7,909 from February 3, 2021 through December 3, 2026, final balloon payment of $983,534 due January 3, 2026, collateralized by all business assets. | $ 1,293,492 | $ 1,269,761 |
| Note payable to bank ("Note 2"), monthly payments of interest only at LIBOR (0.14 percent at December 26, 2020) plus an applicable margin as defined in Note 2 through February 27, 2021, principal and interest payments of $5,253 from March 27, 2021 through January 27, 2026 with final balloon payment of $763,502 due February 27, 2026, collateralized by all business assets. | 949,108 | 18,228 |
| Note payable to bank ("Note 3"), monthly payments of interest only at LIBOR (0.14 percent at December 26, 2020) plus an applicable margin as defined in Note 3 through March 27, 2021, principal and interest payments of $2,776 from March 27, 2021 through January 27, 2026 with final balloon payment of $156,830 due February 27, 2026, collateralized by all business assets. | 287,340 | - |
| Note payable to bank ("Note 4"), monthly payments of interest only at LIBOR (0.14 percent at December 26, 2020) plus an applicable margin as defined in Note 4 through June 5, 2021, principal and interest payments of $6,244 from June 5, 2021 through April 5, 2026 with final balloon payment of $907,537 due May 5, 2026, collateralized by all business assets. | 1,124,887 | - |
| Note payable to bank ("Note 5"), monthly payments of interest only at LIBOR (0.14 percent at December 26, 2020) plus an applicable margin as defined in Note 5 through July 26, 2021, principal and interest payments of $2,248 from July 26, 2021 through May 26, 2026 with final balloon payment of $326,682 due June 26, 2026, collateralized by all business assets. | 404,921 | - |

| | | |
|---|---|---|
| Note payable to bank ("Note 6"), monthly payments of interest only at LIBOR (0.14 percent at December 26, 2020) plus an applicable margin as defined in Note 6 through July 26, 2021, principal and interest payments of $2,904 from July 26, 2021 through May 26, 2026 with final balloon payment of $164,073 due June 26, 2026, collateralized by all business assets. | $ 300,611 | $ - |
| Note payable under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security Act. | 2,297,900 | - |
| | 19,315,846 | 14,563,082 |
| Less unamortized deferred financing costs | 146,762 | 159,445 |
| Less current maturities | 1,019,699 | 866,939 |
| | $ 18,149,385 | $ 13,536,698 |

Maturities of long-term debt as of December 26, 2020, are as follows:

| Years Ending: | |
|---|---|
| 2021 | $ 1,019,699 |
| 2022 | 3,417,922 |
| 2023 | 5,748,598 |
| 2024 | 2,463,918 |
| 2025 | 3,320,155 |
| Thereafter | 3,345,554 |
| | $ 19,315,846 |

The Company received a loan from UMB Bank in the amount of $2,297,900 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The loan is subject to a note dated April 9, 2020 and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. No determination has been made as to whether the Company will be eligible for forgiveness, in whole or in part. If the loan is not forgiven, the loan will be repaid in monthly payments with interest at 1.00 percent beginning on the date the loan forgiveness amount is determined, with the final payment due on April 9, 2022.

## 10. Sale-Leaseback Transactions

On May 24, 2019 and June 12, 2019, the Company sold the land and buildings related to two properties for total consideration of $4,223,469, resulting in a total gain of $2,118,136. Simultaneous with the sales, the Company entered into agreements to lease the properties back under operating leases for initial terms of 15-21 years. The gains resulting from the sales have been recorded as deferred income and are being amortized over the corresponding lease terms. There were no sale-leaseback transactions during 2020. Deferred gain on sales totaled $6,830,914 and $7,259,859 as of December 26, 2020 and December 28, 2019, respectively. The gains recognized for the years ended December 26, 2020 and December 28, 2019 totaled $428,945 and $388,855, respectively.

The deferred gain on sales is expected to be amortized as follows:

| Years Ending: | |
|---|---|
| 2021 | $ 428,237 |
| 2022 | 428,237 |
| 2023 | 428,237 |
| 2024 | 428,237 |
| 2025 | 428,237 |
| Thereafter | 4,689,729 |
| | $ 6,830,914 |

Future minimum lease payments as of December 26, 2020, are as follows:

| Years Ending: | |
|---|---|
| 2021 | $ 872,500 |
| 2022 | 872,500 |
| 2023 | 912,604 |
| 2024 | 945,094 |
| 2025 | 948,938 |
| Thereafter | 11,868,062 |
| | $ 16,419,698 |

Rent expense related to the sale-leaseback transactions for the years ended December 26, 2020 and December 28, 2019 totaled $872,500 and $728,139, respectively.

## 11. Related Party Transactions

The Company has an advisory services agreement with a member of the Company, whereby the member provides advisory services in relation to the affairs of the Company. In return, the member is paid an annual management fee of 1 percent of the consolidated gross revenue of the Company, payable in monthly installments through October 31, 2020, with automatic one-year renewals. For the years ended December 26, 2020 and December 28, 2019, the Company paid $329,420 and $328,151, respectively, related to this agreement, which is reported as a component of selling, general, and administrative expenses in the accompanying consolidated statements of income and members' equity.

## 12. Franchise Operations

As of December 26, 2020, the Company maintains two franchise agreements with independent operators who pay franchise fees consisting of royalties and marketing for operating three locations. These agreements expire at various times between June 2024 and August 2025. Franchisee royalties and fees were $144,235 and $146,557 for the years ended December 26, 2020 and December 28, 2019, respectively. There were no material direct franchise expenses for the years ended December 26, 2020 and December 28, 2019.

## 13. Change in Control Bonus Plan

The Company entered into a change in control bonus plan (the "Plan") for key employees effective May 15, 2017. The Plan requires the Company to establish an incentive pool from which bonuses will be paid to key employees if certain metrics are met. Upon a change in control, as defined in the Plan, the pool will pay amounts to key employees in accordance with their respective applicable percentage, as defined in the Plan. As no change in control occurred during the years ended December 26, 2020 or December 28, 2019, no bonuses were paid.

## 14. Retirement Plans

The Company maintains a contributory retirement savings plan under Section 401(k) of the Internal Revenue Code covering substantially all full-time employees who are 21 years of age or older. Employer contributions to the plan totaled $49,619 and $48,029 for the years ended December 26, 2020 and December 28, 2019, respectively.

## 15. Risks and Uncertainties

### Business Concentrations

Purchases from one vendor were approximately 87 and 86 percent of the Company's purchases for the years ended December 26, 2020 and December 28, 2019, respectively.

### Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and accounts receivable. The Company maintains its cash primarily with one financial institution. Deposits at this bank are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At December 26, 2020, there were cash balances of $3,609,308 in excess of FDIC limits at the bank.

### Economic Conditions

The recent COVID-19 outbreak has caused a downturn in business activity across most sectors and industries in the United States and internationally. The Company cannot reasonably estimate the length or severity of this pandemic and it remains too early to estimate the full impact on financial results.

## 16. Commitments and Contingencies

### Leases

The Company leases certain real property and office equipment under noncancelable leases that expire on various dates through December 2039, one of which contains a contingent rental amount based on the greater of the base monthly rent or a percentage of gross sales. Future minimum lease payments at December 26, 2020, are as follows:

| Years Ending: | |
|---|---|
| 2021 | $ 2,250,169 |
| 2022 | 2,247,020 |
| 2023 | 2,277,864 |
| 2024 | 2,246,448 |
| 2025 | 2,189,446 |
| Thereafter | 18,158,506 |
| | $ 29,369,453 |

The preceding minimum lease payment amounts do not include any contingent rental estimates. Rent expense related to operating leases for the years ended December 26, 2020 and December 28, 2019 totaled $2,325,017 and $1,889,266, respectively, which included $24,650 and $50,289 of contingent rental expense, respectively.

### Purchase Commitments

The Company had a purchase agreement with a supplier for inventory purchases which expired March 31, 2019. In exchange for an annual marketing allowance of $25,000 and a discount on all purchases of 1.5 percent, the Company must have purchased 80 percent of all inventory purchases from the supplier. On March 31, 2019 the Company entered into a new agreement with the supplier that calls for the Company to purchase 80 percent of annual purchases and offers an annual marketing allowance of $50,000. The new agreement expires on March 30, 2024.

**EXHIBIT G**

**STATE EFFECTIVE DATES**

**State Effective Dates**. We are offering franchises on a regional basis in states that do not have franchise registration and disclosure laws.

**EXHIBIT H-1**
**RECEIPT**

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

If LC Franchisor, LLC ("LC Franchisor") offers you a franchise, LC Franchisor must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Applicable state law in (a) Michigan requires us to provide you the Franchise Disclosure Document at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale and (b) New York requires us to provide you the Franchise Disclosure Document the earlier of the first personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If LC Franchisor 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 any applicable state agency.

The name, principal business address, and telephone number of the franchise seller offering the franchise is:

| Name | Principal Business Address | Telephone Number |
|---|---|---|
| Mike Kupstas | 12977 North Forty Drive, Suite 100<br>St. Louis, MO 63141 | 314-821-8665 |
| Jason Denbow | 12977 North Forty Drive, Suite 100<br>St. Louis, MO 63141 | 314-821-8665 |

**Issuance Date: August 4, 2022**

I received a disclosure document dated **August 4, 2022**. (See the state effective date summary page for state effective dates.) The disclosure document included the following Exhibits and Attachments:

| | |
|---|---|
| A | AREA DEVELOPMENT AGREEMENT |
| B | FRANCHISE AGREEMENT |
| C | LC FRANCHISOR POLICY MANUAL TABLE OF CONTENTS |
| D | LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS |
| E-1 | LIST OF CURRENT FRANCHISEES |
| E-2 | LIST OF FORMER FRANCHISEES |
| E-3 | LIST OF COMPANY-OWNED UNITS |
| F | FINANCIAL STATEMENTS |
| G | STATE EFFECTIVE DATES |
| H-1 | RECEIPT (YOUR COPY) |
| H-2 | RECEIPT (OUR COPY) |

FRANCHISEE

Date: ______________________________ ________________________________________
(type or print name)

________________________________________
Signature

**(sign, date and retain for your records)**

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**EXHIBIT H-2**
**RECEIPT**

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

If LC Franchisor, LLC ("LC Franchisor") offers you a franchise, LC Franchisor must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Applicable state law in (a) Michigan requires us to provide you the Franchise Disclosure Document at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale and (b) New York requires us to provide you the Franchise Disclosure Document the earlier of the first personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If LC Franchisor 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 any applicable state agency.

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| H-2 | RECEIPT (OUR COPY) |

FRANCHISEE

Date: ______________________________ ________________________________________

(type or print name)

________________________________________

Signature

**(sign, date and retain for your records)**

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